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JUNE 1972

Nation's Business



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Nation's Business

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Some views on banking, managing yourself and others, and the world inside and outside the executive suite, from a man whose career just won't quit

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Cover: Sculpture by Charles Mendez (Photo: Jon Francis)

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CAREERS COULD RIDE ON BRAIN WAVES

Scientists are measuring personality traits through a technique which someday may be applied to hirings, firings, promotions and demotions

WELFARE BUNKO: IT ROBS THE NEEDY

Fictitious names, fictitious addresses, fictitious children . . . the truth is, it's easy to obtain welfare checks by cheating, and many people do

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This firm and its guiding force, R.D. (Nick) Carter, have led the way in using the "roll-on, roll-off" concept for handling maritime cargo

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To err not only is human, it frequently is good for your companyif the proper attitudes toward development of personnel are adopted

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The Price Commission takes on a producer of comic books

utures to Cart Pollution

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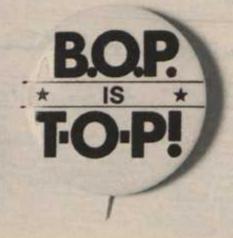
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Memo From the Editor

Nation's Business . Published by the Chamber of Commerce of the United States . 1615 H Street N.W., Washington, D.C. 20006

Whether your business is large or small, you'll be interested in our cover article on page 54. Nobody—including us, we must admit—really knows what all the legislation pending in Congress would cost businessmen. But we do know it would be in the billions of dollars.

To get at least some idea of the range, Associate Editor Bob Gray talked with the men who run all sorts of companies. For example, the proposed increases in Social Security taxes and a payroll tax to support nationalized medicine could cost United States Steel Corp. around \$100 million.

But your business probably isn't that big, so you may be more interested in the situation of Martin's Ace Hardware store in Zanesville, Ohio, which has 18 employees. Mr. Martin is particularly concerned about the possible increase in the minimum wage.

. . .

The so-called "tax reform" that some of the politicians are talking about would probably add to your costs, too. Business seldom comes out well in one of these shuffles.

The need to get more tax money, of course, could be eased by cutting government spending. The Chamber of Commerce of the United States recommends a five point program that would help accomplish this:

- The federal budget should be considered as a whole by one committee rather than considered piecemeal as it now is.
- The cost of programs over at least five years should be projected and made public.
- 3. Every program should start from scratch each year,

rather than merely being continued whether it's any good or not. This is called zero-base budgeting.

- New programs should be pilot tested before being adopted nationwide.
- All federal spending, including such trust funds as Social Security, should be subjected to the same budget controls.

To work for its members on programs such as these, the National Chamber is guided by a 63-man board of directors, who are elected for staggered terms.

New directors for the 1972-73 year are: Paul Batcheller, president, Zip Feed Mills, Inc., Sioux Falls, S. Dak.; Gerhard A. Bleicken, chairman of the board and chief executive officer, John Hancock Mutual Life Insurance Co., Boston, Mass.; Mark Evans, vice president, director of public affairs, Metromedia, Inc., Washington, D.C.; Shearon Harris, chairman and president, Carolina Power & Light Co., Raleigh, N.C.; John E. Healy II, president, John E. Healy & Sons, Inc., Wilmington, Del.; Lee L. Morgan, president, Caterpillar Tractor Co., Peoria, III.; Leslie C. Peacock, president, Crocker National Bank, San Francisco, Calif.; John T. Pierson Jr., president and chief executive officer, Vendo Co., Kansas City, Mo.; Ralph B. Rogers, chairman of the board, Texas Industries, Inc., Dallas, Texas: Roger C. Sonnemann, vice president, administration and employee relations, American Metal Climax, Inc., New York City: Jay VanAndel, chairman, Amway Corp., Ada, Mich.: Allen Whitfield (former Chamber treasurer), senior partner, Whitfield, Musgrave, Selvy, Kelly & Eddy, Des Moines, Iowa.

all ret to news

NEW CHAMBER DIRECTORS FOR 1972-73



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Jack Wooldridge

Mr. Healy



Mr. Morgan



Mr. Peacock



Mr. Pierson



Mr. Rogers



Mr. Sonnemann



Mr. VanAndel



Mr. Whitfield

Letters

Why We're Under Controls

· I am a retired business executive (I was president of A.G. Spalding & Bros., Inc., the sporting goods manufacturer, from 1958 to mid-1969) and in my present "lecturer, writer, consultant" capacity I find a thorough monthly reading of NATION'S BUSI-NESS very useful.

I particularly want to comment on the article, about the response to your Quarterly Outlook Survey, entitled "Unloved, Unwanted, but Needed" [April].

I wonder if those who "look forward to the removal of controls" are looking at the total impact that would have.

The controls placed in effect on Aug. 15 were 16 or 17 years too late, and were necessary only because Congress has lacked the courage (and probably the perception) to bring labor unions under control.

Therefore, we can never again have a "free economy" (and we have not had one, for one minute since 1933) unless we first enact enforceable legislation to deal with the unions. All unions-police, fire, teachers, parks workers, etc., as well as the more usual construction and manufacturing unions.

We cannot ever again remove present controls and let unions-any unions-run loose!

Not unless you are ready for \$2.50a-loaf bread, and \$25,000 Fords, which is exactly what you'll get if you don't either keep controls or do away with union power!

The problem with Phase II is that the government simply set up groups to arbitrate exceptions! There should have been no exceptions, for any reason whatsoever!

Let's be sure we all understand the end results of "removing controls" before we "storm the castle" in what may be a destructive cause!

EDWIN L. PARKER

· One of the most distressing things to me is to see businessmen accept and/or agree with any kind of economic controls placed upon them by government.

To say that wage and price controls are "Unloved, Unwanted, but Needed" is to abort reality.

Only an increase in money available, brought about by government deficit spending, can cause the inflation we are experiencing. As long as businessmen accept increases in the price of goods as the cause of inflation, they are allowing the government to make the businessman a scapegoat for all the government's economic failures.

> GEORGE A. CHAPMAN President Chapman Ca. Satt Lake City, Utah

· The responses about wage and price controls are unbelievable. How so many so-called free enterprise executives could say the controls are needed is beyond me. As part of management, the very existence of the free market accounts for their position.

Government has always been and will always be the cause of inflation, but in order to deceive the people it claims industry is responsible.

These same executives should read further in that same issue the article, "We're Spending Our Way to Disaster," by Rep. George Mahon to see what's really needed in this country for survival.

> FRANK L. VAUGHN Professional engineer Purp and Paper Services, Inc.

· The tragedy of this whole experience of government wage and price controls, Phase I and Phase II, is that it creates on such a large scale the impression that the cause of inflation is greedy businessmen and equally greedy labor people.

You cannot create inflation unless the governing body of a country issues money to cover its own deficits. as ours is now doing.

As long as we, as a nation, permit our federal government to spend far beyond its income, we will continue to have inflation.

> JOHN N. LEEDOM Dollar, Texas



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Letters continued

Labor and the economy

 I believe Samuel Gompers would be turning in his grave if he realized what a monster he had created. Organized labor in the beginning had a purpose, and a good purpose at that, in seeking and gaining useful legislation for the abused laborer. It has long since outlived its purpose.

Our system today is getting further and further away from the concept that "economic justice can best be won by free men through free enterprise," because organized labor, in essence, is allowed to dictate the economic situation in the United States. It seems as though the labor leaders have a problem in seeing the forest for the trees, for they are the ones who scream the loudest when the cost of living index rises.

Passage of the "Foreign Trade and Investment Act of 1972" would only add fuel to their already roaring fire. It might well be noted that the bill is sponsored by members of the "labor" party. Adoption of such legislation would most certainly price the United States out of the world market.

Organized labor today is not interested in competing on the field of play; it wants the entire ball park. It does not understand the term "salary commensurate with ability," but does understand a wage commensurate with one's own wishes, regardless of education or ability.

We are today at the crossroads when we must decide the route to take—that of free enterprise or of union control.

BEN E. WOLFE

Yankee stay home

- After reading George Fedor's letter [April] suggesting that a solution to the waste disposal problem of the Northeastern part of the U.S. could be to pipe it westward, I had several thoughts:
- I doubt seriously that the Southwest would agree to become the cesspool of the Northeast.
- Since this unique export would purportedly cause a productive boom in the Southwest, resulting in increased population, we would soon have the same problem.

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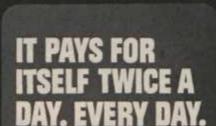
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 In the normal course of consumer events, we in the Southwest pay a premium for products out of the Northeast. It is curious that the product offered by Mr. Fedor is not marked "slightly higher west of the Rockies."
 But then, of course, this product does not have much consumer appeal.

I propose that the Northeast keep the fruits of their labor at home and solve their own problem locally.

ROGER W. BYBEE
Professional electrical engineer
Sonta Fe, N. Mez.

Tips on boat buying

 Re Peter Weaver's item on purchasing boats ["Strictly Personal," April].

My husband is a yacht broker. This, along with experience in buying used boats, I believe, enables me to give some sound advice to the used-boat buyer.

The "courtesy motorboat examination" performed by the Coast Guard Auxiliary merely is a check to be sure your boat is equipped with a minimum of equipment such as life jackets, horn, running lights, etc., and in no way checks the integrity of the vessel. Often, this examination does not include the boarding of the vessel—it could be sinking at the time of inspection!

A must when purchasing a used boat is having a survey performed by a reputable marine surveyor. A surveyor will go through the boat with a fine-toothed comb and give the potential purchaser a report of his findings.

This is the only sure way of buying a safe and sound vessel. If work needs to be done on the boat, you can adjust your offer accordingly. You will also know from the survey if work to be accomplished is critical or cosmetic.

NICOLA G. TERRY

Task for the baron?

 Regarding the "Lessons of Leadership" article on Baron Guy de Rothschild [March], his greatest contribution to the world would be the use of his power and influence, which must be tremendous, to eliminate the heroin factories in France.

EDWARD CLARKE



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Paying through the nose

 Rep. George Mahon's article ["We're Spending Our Way to Disaster"] and the "Lessons of Leadership" article ["Donald Regan of Merrill Lynch"] in the April issue are the best I have read in a long time.

They were written in language everyone can understand. These men know how things stand.

It doesn't take a college graduate to figure out that government can't go on spending more and more without someone getting hurt. I am a small business operator and I feel we pay through the nose continually.

MARION BEYER

High marks for wool sale

• In January, you published an article ["Indian Wool Makes the Grade"] applauding the sale of the bulk of the Navajo Indian wool crop at premium prices in a declining market. This was a first-time event and was arranged by officials of the Bureau of Indian Affairs.

In March, "Letters to the Editor" included a letter from a reader criticizing that remarkable sale because it was not arranged by Indian businessmen.

I'm sure many Navajo sheepmen who doubled or tripled their income because non-Indian employees in the Bureau decided to act would agree that "Indian self-determination" has been enhanced.

LEWIS R. BROOSE

Move up to square

 Re your "Executive Trends" item [April] entitled "Goodby, fireball; hello, square?" Has it occurred to you that the fireball executive of the '60s is the square of the '70s?

Those in their mid-30s in the '60s are now in their mid-40s.

Maybe the recruiters are in a rut with the same clientele. In the '60s they called them fireballs, now they're calling them squares.

CHARLES J. MC BRIDE
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Insurance for the businessman who wonders how he got into the real estate business.



As a businessman, you're also probably a landlord, a tenant, or both. So you're involved in real estate whether you like it or not. But when you're buying property or negotiating a lease, if you knew all the hazards to which owners and tenants are exposed, you'd do more than consult the lawyers and accountants. You'd call in an insurance expert, too.

Who owns "improvements and betterments"?

The structural changes to the premises that a tenant makes to suit his needs may not be removable at the termination of his lease because they're part of the building. They're called "improvements and betterments" and, unless the lease says otherwise, they become the property of the landlord. In contrast, "trade fixtures" and "contents" belong to the tenant.

The terms of leases vary. Definitions vary from state to state. So check to see what you do and do not own. And to what hazards you're exposed.

To help keep things simple, the insurance industry permits a tenant to cover improvements under his contents policy.

On the other hand, that makes it even more important to watch for a coinsurance deficiency. So when deciding on the amount of insurance, be sure to include the value of your improvements if improvements and betterments are covered by your policy.

But that, in turn, raises other questions. Since you're really insuring the use of the improvements how do you figure their value for insurance purposes? And what value do you insure for when you renew the lease? If there's a loss and you decide not to make replacements, how much of the original cost can you collect? (And suppose you're the landlord. How do the tenant's improvements affect your own coinsurance requirements?)

Unfortunately, the answers are often, "It depends". The best advice is to buy Improvements and Betterments insurance, and buy it from a knowledgeable insurance company which can dig up your answers.

Your legal liability in case of fire.

If a fire is caused by negligence on your premises, you may be liable for damage to the building and to the property of other tenants. So you carry liability insurance.

But your Liability policy does not cover property belonging to others which is in your custody or control. Which could include the whole building, if you're a general lessee.

You're safe so far as the building is concerned if your lease specifically holds you harmless in such cases. But does it? Or if the building owner waives his rights of subrogation. But has he? If not, you'd better buy Fire Legal Liability insurance (at only half of the building's fire rate).

For your liability for personal property of others in your care, custody or control, your fire contents policy may provide only limited protection. So if you have valuable customers' goods on your premises, specific additional coverage may be necessary.

There's interest in the leasehold.

Many leases automatically become cancellable by either party if 50% of the premises are destroyed by fire. And leases often contain other, often unnoticed, cancellation clauses.

If you had to find new quarters unexpectedly, you might have to pay a lot more rent. Or suppose you've

sublet to someone at a higher rental than you pay your landlord and thus stand to lose the difference if a fire cancels your lease.

Leasehold Interest insurance is designed to protect

you against just such specific exposures.

When you buy it, remember that if you have an option to renew your lease, the value of your Leasehold Interest goes up. And that exposure is insurable also.

Another tip: if the building's fire rate goes down for any reason, the new rate should also be applied to your Leasehold Interest policy.

Landlords need protection, too.

The building owner has similar...and insurable... interests. The rent, for instance. If you occupy the building yourself, it's the "rental value" you should protect.

If your property is no longer fit for occupancy due to damage, most states relieve your tenant of his obligation to pay rent. By statute. And even if the lease continues the tenant's obligation, there's the question of his ability to pay.

The owner's exposure to loss is clear. And so is the need for protection. Rent insurance is fairly uncomplicated, but a few angles are worth considering.

After rebuilding, you may not find new tenants easily. Extend your coverage beyond the reconstruction period by adding an "Extended Period of Indemnity" endorsement.

The amount of insurance needed can be a problem if you confuse "rental income" with rental value as defined in the policy. Rental value is the rental income plus expenses which would normally be borne by the owner, but are assumed by the tenant. Examples are taxes and maintenance costs.

The case for Title Insurance.

The need for a title search before buying real property is obvious. But it's not enough. There are hidden risks that no search can reveal.

For example, there could have been fraud or forgery in the execution of a deed somewhere along the line. Or conveyance by a mental incompetent or a minor. Or execution under an expired power of attorney.

Title insurance pays you for losses resulting from title defects. It defends your title in legal actions and pays court costs.

As our affiliate, American Title Insurance Company, says—it doesn't make sense to buy property without it.

There are many other hazards to owners and tenants, but we think we've made our point.

We're not suggesting that you should become an expert in real estate insurance. We do suggest that if you don't know one, you should find one.

Just look in the Yellow Pages under "Continental Insurance".



The Continental Insurance Companies

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SBA Report

Management Tips Help Small Firms to Grow

The President's Task Force on Small Business has attributed about 90 per cent of business failures to management inadequacies. This figure underscores the need for formal training programs for owners and managers of small firms.

At the U.S. Small Business Administration, an entire branch, the Office of Management Assistance, is keyed to management problems. It offers a program designed to help increase the management knowledge of small businesses' owner-managers and, by so doing, to help them help themselves. The program includes courses, conferences, problem clinics and individual counseling.

In a benefit/cost analysis conducted in 1971 by SBA, small business responses indicated that as a direct result of management assistance, there were increases in profits, employment, and reinvestment in plant facilities.

Small firms participating in the SBA program reported, in aggregate, profits up \$26 million, employment up 9 per cent, and investment in facilities up \$71 million.

In terms of increased profit alone, the returns to small businesses were \$9.20 for each \$1 of program cost. Furthermore, taxes business owners paid on the higher profits were estimated at \$3.9 million—or \$1.60 more into the U.S. Treasury for each \$1 of program cost.

In capsule description, SBA provides three types of group training for owner-managers:

- A course, which consists of nine or more hours of training, usually in a series of evening sessions, for groups of 25 to 30.
- A conference, which may consist of one or more meetings, not exceeding a total of nine hours, for 100 or more enrollees.
- A problem clinic—a one-time meeting of two to four hours at which

five to 15 businessmen discuss a single management problem of common interest,

Courses, conferences, and problem clinics are planned to meet specific local needs, but are based on general formats which have proved successful.

Management assistance officers in SBA field offices serve in an advisory capacity with a cosponsoring organization and a planning committee of local business leaders. SBA helps with program promotion, suggests speakers, and furnishes materials. It may also provide speakers from its experienced professional staff.

The agency cosponsors its training programs with colleges, universities, junior or community colleges, trade associations, chambers of commerce, business firms, other government agencies, and SCORE (Service Corps of Retired Executives) and ACE (Active Corps of Executives) volunteers

In addition to aiding people who now run small businesses, SBA assists prospective owners in analyzing what is involved in starting out on their own. Its pre-business workshops are a practical "meat and potatoes" approach to the problems which face new businesses during the early period of operation.

The workshops are one-day sessions, carefully structured to serve prospective owners. There are lectures on nine management subjects, class participation worksheets, a glossary of business terms, two short movies, and a workshop evaluation form.

To encourage modern instruction techniques in management training for small businesses, SBA offers materials including instructor's manuals, each of which consists of a packaged presentation of a fundamental subject.

A manual has an instructional plan, a lecture text, a set of transparencies for overhead projection, handouts of selected SBA publications, problem cases, do-it-yourself suggestions and a bibliography.

Prepared by the Small Business Administration. There are now 21 instructor's manuals in use. Others—such as "Manpower Training Planning and Recruiting Personnel," "Interviews, Testing, and Selection," and "International Marketing for Smaller Firms"—are being developed.

SBA also offers management training through movies and television tapes without charge to small business audiences. The 16mm sound movies and tapes cover a broad range of subjects and dramatize management situations in authentic locations.

The agency maintains a library of 28 training films which are available for many of the subjects covered in the instructor's manuals. The films, as well as TV tapes, can be viewed over educational and commercial television stations that offer management training programs.

SBA publications, which cover a variety of subjects of practical interest to small business owner-managers, are designed to assist in building efficient company management. They are available for use by individuals and as support for SBA's various programs.

Some (four- to eight-page leaflets) are distributed free by SBA on request, and others are sold at nominal prices (from 15 cents to \$1.75) by the U.S. Government Printing Office. SBA distributed nearly 3.5 million copies of free and for-sale publications in 1971.

In recent months, SBA has issued several new publications for the benefit of small businessmen.

A booklet on techniques for Small Business Investment Companies, Minority Enterprise Small Business Investment Companies and the venture capital industry was issued in March.

It is based on a MESBIC Venture Capital Seminar sponsored by SBA. Topics include overall MESBIC operating considerations, investment guidelines, screening of applications, structuring of financing, and portfolio management.

The MESBIC program was launched in November, 1968, as part of an Administration effort to close it gap in business ownership between members of socially or economically deprived minority groups and other Americans.

SBA currently has licensed 46 MESBICs to provide venture capital and technical and management assistance to minority-owned businesses.

Copies of "Perspectives in Venture Capital for SBICs and MESBICs" may be obtained free from SBA's Investment Division, 1441 L St. N.W., Washington, D.C. 29416.

SBA also has issued a booklet for people interested in starting their own employment agency.

"Starting and Managing an Employment Agency" discusses steps to follow in setting up an agency, fees to charge, and how to obtain job orders from employers.

It recommends that a person interested in opening an employment agency should have enough working capital for six to 12 months. In addition, it cautions, one should allow for personal finances, in terms of living expenses and a reserve for unforeseen emergencies such as illness. The booklet, the 22nd volume in SBA's Starting and Managing Series, can be purchased for 70 cents from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Meanwhile, a self-evaluation system to determine how well a small businessman is running his business is contained in "Management Audit for Small Retailers," No. 31 in SBA's Small Business Management Series. It is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, for 35 cents.

A check list for measuring management practices is presented in 149 questions which cover the essential procedures in retail management. Honest answers to these questions should give the small retailer a good indication of how well he is planning and directing his business.

One chapter in the booklet lists over 75 free management aids available from all SBA field offices, as well as relevant publications sold by the Superintendent of Documents.

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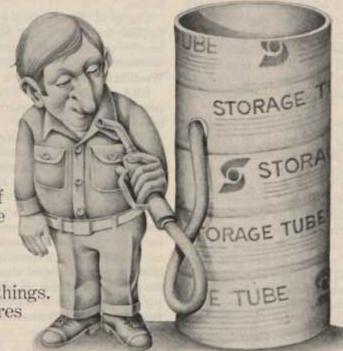
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Sonoco Products Company. Innovators in paper and plastics.

Executive Trends

BY JOHN COSTELLO Associate Editor

Taking the guess out of estimates

"Where should we make our caustic soda and chlorine?"

That was one problem a Midwest chemical firm faced.

Its annual sales—of some 600 products—were \$200 million.

Its freight bill could be cut plenty, it suspected, by better production scheduling.

"The company was right," says Paul Bender, a director of Drake Sheahan/Stewart Dougall, Inc., New York management consultants.

"But the problem wasn't really production. It was marketing.

"What they needed was an accurate forecast of how much they'd sell of each item—and where."

DS/SD turned the task over to "Curfit"—its own computerized statistical forecasting technique, which fits a series of complex mathematical curves to historical sales data.

"Curfit takes into account cycle, trend and seasonal sales factors," Mr. Bender says.

"Among other things, it found this. The company was making too much caustic soda and chlorine in plants down South. Its major markets were up North.

"So it revamped its production of those and other products. That cut its transportation costs from \$45 million a year to \$41 million."

Predicting what customers will buy isn't as tough as it used to be, Mr. Bender says, "thanks to the blending of computerized statistical techniques—like "Curfit"—with human judgment."

When forecasts go sour, he adds, don't blame the technique, "Blame the lack of skill in applying it."

Charles G. Kretschmer III, Washington, D.C., marketing consultant, echoes that view.

"Most methods of market analysis have the bugs worked out of them," he says. "But they're only as good as the data that goes into them."

Many companies, he points out, overlook the wealth of data in Washington.

"For example, at the Commerce Department or at the Bureau of the Census. And especially, perhaps, at the regulatory agency that rides herd on your industry."

If you're marketing a product in the environmental field, for example, "you'd better keep in touch with the Environmental Protection Agency," he adds. "The agencies know what's going on."

The go-getter's track record

Did he sell papers as a kid? Caddy when he was a little older,

or pump gas at a filling station?

Maybe help pay his way through college by waiting tables?

Chances are, you have a highly motivated executive if the answer is Yes to all these questions.

Take it on the word of Dr. Ray C. Hackman, research psychologist, Psychological Service of Pittsburgh. He has made a close study of men who are self-starters—and successful.

"And the most reliable indicator," he says, "is a man's work history. If it began early, you almost certainly have a winner.

"All of us seem to be born with a certain energy level. The motivated guy is one who has a lot of it—and has learned how to channel it into useful activities, like work."

Some other characteristics of the go-getter, he says, are:

His leisure activity is work-related.
 "He doesn't sit around and watch
 TV," Dr. Hackman says. "He has to
 be up and doing something. Like
 work around the house."

 He's been active in other things that have some social value.

"Like church work," Dr. Hackman

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Executive Trends

continued

explains, "or community activities."

· He keeps cool.

"He's relatively uninfluenced by ordinary things that go on around him," Dr. Hackman says. "He doesn't get angry, irritated or bellicose—or otherwise involved emotionally.

"And he doesn't develop anxieties easily."

Dr. Hackman says you can sum him up like this:

"He's a pretty stable guy, who's got ants in his pants."

Blow by blow from Washington

Did you catch the Senate debate over the Equal Employment Opportunity Commission?

It was a real knockdown and dragout.

And finally, the guys in the white hats won. The Senate decided that the law barring job discrimination will be enforced by the courts—not by cease and desist orders from EEOC.

That's only one of the many legislative issues Washington Dial has covered.

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This crisp, legislative rundown is drawing more and more fans.

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"We transcribe it and post it on our bulletin board with a credit line," one faithful listener says.

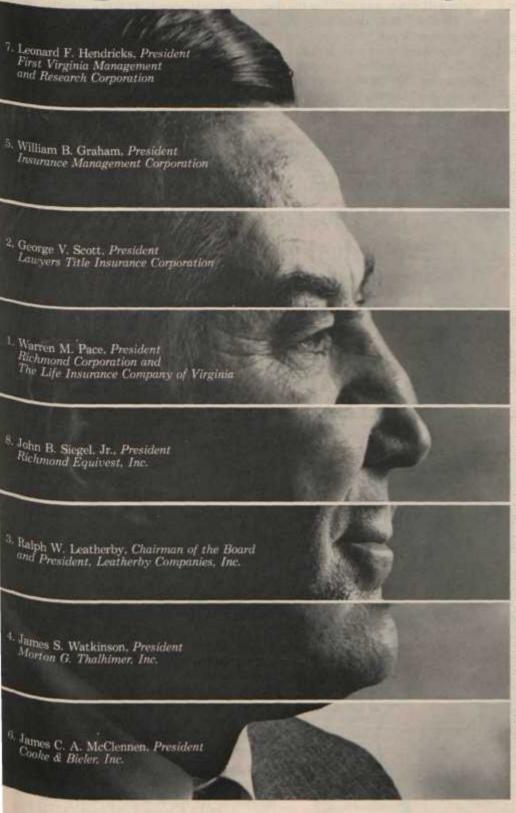
Last year, Washington Dial drew 650 to 700 calls a day. Now it's handling nearly 2,000.

Are you really the Tarzan type?

Looking forward to those two weeks at the beach? Or getting away from it all in the woods?

Well, one expert has words to the wise for you:

Eight faces but only one profile.



One.

Life of Virginia's net income increased 16.4% in 1971. It ranks among the top 21/2% of the nation's 1800 legal reserve life companies.

Two.

Lawyers Title posted a 92% gain in net income last year. It's one of the country's largest title insurers.

Three.

Leatherby Companies, Inc. earnings increased threefold in 1971, the first full year as an affiliate of Richmond Corporation. This California-based firm markets casualty and general insurance, workmen's compensation and employers' liability coverage.

Four.

Morton G. Thalhimer, Inc., a Southeastern real estate brokerage firm, saw earnings increase 22.5% last year, the first full year of affiliation with Richmond Corporation.

Five.

Insurance Management Corporation gained momentum during 1971, adding important property and casualty organizations in four states to its agency network.

Six.

Cooke & Bieler, Inc. last year bettered previous record earnings by 165%. It is an investment counseling firm with client portfolios totaling approximately \$250 million.

Seven.

First Virginia Management and Research Corporation is the investment adviser and distributor of shares of First Fund of Virginia, a mutual fund. In 1971 sales increased 11.9%.

Eight.

Richmond Equivest, Inc. is an affiliate formed in 1970 as a vehicle for equity real estate investments, including joint ventures. Last year the organization broke ground for a \$50 million environmental community.

Eight faces.

They add up to one holding company: Richmond Corporation, with combined assets of over 1 billion dollars and consolidated net income of \$24.8 million, up 67.3% from the previous year.

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Executive Trends continued

"Summer vacations can be killers," says Robert Moore, president of Searle Educational Systems, Inc., Chicago, Ill., which has developed "Project Health," a preventive medicine education program.

"Rule one is don't overdo the Tarzan bit.

"Golf's fine, but not 27 holes in a broiling sun."

And think twice before you plunge into that icy water for a swim across the lake, Mr. Moore cautions. Or play football with the college kids who wait on tables.

"Or even challenge your wife to an afternoon of tennis."

Most wives, Mr. Moore notes, are in better condition than their executive-type husbands.

"He probably eats the wrong foods, smokes too much, and seldom gets away from the desk.

"But his wife's been spending the day carting packages, racing up the stairs and down, and walking the dog.

"He shouldn't expect to be able to compete with her."

What kind of exercise is O.K.?

Walking, cycling, jogging and swimming, Mr. Moore says, as long as you don't overdo it. But skip highly competitive games—or those with lots of body contact.

What's the best rule for keeping fit all year round?

"Moderate exercise," says Mr. Moore, "and a healthy, sensible diet."

Taking a look at toll calls

You might save a bundle, if you do.
"Eight companies out of 10 could
cut their long-distance phone costs,"
says Arthur L. Katz, vice president,
Computoll, Inc., New York City.

"But many don't know they can get special bulk discount rates. Any firm that spends \$2,000 a month—or more—on those calls should qualify for a special cut rate."

For example, a WATS (Wide Area Telephone Service) line. A New York or San Francisco firm may be charged \$1,900 a month—plus tax. That's for 24 hours a day, seven days a week, for calls anywhere in the continental United States.

The rates vary by location. For firms in Kansas, Nebraska, Iowa, North and South Dakota, the monthly charge could be \$1,650.

"But WATS isn't always your best bet," Mr. Katz says. "You can also get a tie line, or foreign exchange service, or rent a private line. Sometimes, a combination of two or more is the answer."

To find out what you need, he says, you must know:

- · How many calls you're making.
- . How much they cost.
- · How long they take.

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Hanna Industries has, in the past, offered years of expertise in such critical areas as: a: Site Layout, b: Site Analysis, c: Market Studies, d: Operating Pro Forma, e: Equipment Selection, and f: Capital Justification Expenditure Studies. Through Hanna's financial engineering, you are still offered these, plus the one missing piece of the puzzle that makes it a total concept:

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Hanna Industries solves investment puzzles every day. Perhaps you should investigate how we can help you with yours. For further information contact the Challenger Division, or call toll free 800/547-7911.



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 And when the calls are being made. Computoll analyzes all outgoing calls to get that information.

"Not only by area code," Mr. Katz says, "but by individual numbers, and by WATS bands—groups of area codes.

"We find that 40 per cent of the calls account for 75 per cent of the time used. Usually, a business call should take only five or six minutes. But chitchat may stretch it to 10 or more."

How to do business with Red China

Not that there's much of it—yet. China's 800 million people sound like a lot of customers.

But, they're not standing around with yuan burning holes in their pockets.

In fact, the GNP is about \$100 to \$125 per capita.

That means China is about as rich a market as Italy.

And so far, not nearly as friendly.

But if you do aim to sell there, Pakistan International Airlines has some helpful hints.

It's the only airline that can fly Americans—and American goods directly from the United States to Shanghai.

"All foreign trade-imports and exports-is handled by the central government," says S. Khalid Hasan, PIA's chief in North America.

"Or rather, by seven government trading corporations. Each has its main office in Peking. And that's where you want to go to make a deal."

Like bureaucracies everywhere, Peking's has lots of red tape.

"You need a detailed proposal, backed up with full information about your firm and its products," Mr. Hasan says, "And be sure to make six copies of everything."

The Chinese Export Commodities Fair in Kwangchow (formerly Canton) is a good place to sell—or buy. The fair runs from April 15 to May 15, and from Oct. 15 to Nov. 15, each year.

"The Chinese negotiate 30 to 50 per cent of all their foreign trade there," the PIA executive says.

"But to go there, you almost have to be invited by one of the Chinese trading corporations.

"However, you might wangle a bid by writing directly to the fair at Pearl River Square, Kwangchow, China."

What does it take to do business with Peking?

"Time, effort and patience," says Mr. Hasan.

He also suggests dealing through a trading firm, perhaps in Hong Kong, that is experienced in dealings with China.



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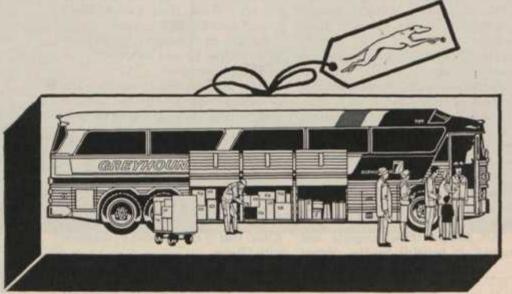
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Greyhound Package Express

PANORAMA of the nation's business By VERNON LOUVIERE ASSOCIATE Editor

Broadening Summers Abroad for Youngsters

It's not true that all of today's teenagers are turned off by such rules as: "At dinner, men should wear coats and ties and women should wear dresses, shoes and hose."

The Foreign Study League successfully imposes codes of behavior and dress—neither too rigid nor too lenient—on thousands of high-schoolage American youngsters who enjoy summers of fun and study abroad.

A subsidiary of Transamerica Corp., FSL runs the largest and oldest of foreign study programs for U.S. high school kids. It was responsible for sending more than 6,000 overseas last summer and will send at least that number this year.

FSL has been able to reach innumerable American parents with invitations like this one:

"If your teen-ager is pestering you to go abroad this summer, a studentstyle vacation in Europe or elsewhere won't have to mean leading a hippie life, sleeping in the streets or bathing in public fountains.



Students soak up history and culture at a Roman landmark.

"You can send your youngster overseas, at moderate cost, for a well-run, enjoyment-filled program of foreign study and travel that will give him or her an intimate acquaintance with other people and other lands."

The League leases classroom and dormitory facilities on some 130 campuses in more than a score of countries around the world. Student groups move from one campus to another, spending their mornings in classrooms and their afternoons and weekends on field trips. They are exposed to culture, history and language in huge but interesting doses.

The students are under supervision of counselors, most of whom are professional teachers, and the setup at each campus is headed by an American educator. Rules of conduct are rigidly enforced and any youngster committing a serious infraction is sent home at his own expense. Hard liquor and drugs are taboo.

It is impressed on the students that they have a responsibility to themselves, their families and their country, and that they should create a favorable impression among the people they meet abroad.

FSL, headquartered in Salt Lake City, Utah, was founded by the Mormons with \$900 and sold to Transamerica in 1968 for \$6 million.

For the Executive: An Easier Way to an M.B.A.

If you have a good background in management—college isn't necessary—you can earn a master's degree in business administration at Wake Forest University in Winston-Salem, N.C., by attending classes on some of your days off.

Wake Forest's Babcock Graduate School of Management, a pioneer in development of specialized training for executives, began using this new concept of higher education last year.

Attracted to it have been M.B.A. candidates from Western Electric, Stewart-Warner, Schlitz Brewing, Piedmont Aviation, Continental Can, and other firms represented in the Winston-Salem area.

"What is a 'good background' for studying business management?" Acting Dean Jack D. Ferner asks, "We think several years of experience in a management position is just as good a background as having gone to undergraduate school and taken courses in economics, business, accounting and the like."

A popular feature of the program is the negligible loss of an executive's time in obtaining an M.B.A. degree. He can complete his schooling in 20 months by attending classes on alternating Fridays and Saturdays. Since most executives are off on Saturdays, they are away from their desks only two days a month.

This contrasts with other universities, where a degree-seeking executive may have to devote six, eight or sometimes 10 years to night classes to reach the same educational objective.

Dean Ferner, who was president and chairman of Chemical Separations Corp. in Oak Ridge, Tenn., before joining Babcock, says an important point business schools must consider is that "the body of knowledge concerned with business management doubles in less than 10 years."

Learning "is a lifelong process and business leaders must be continuously learning and relearning," he points out. "Our program is designed to meet the needs of managers in those organizations which recognize and accept the challenge of change. At the same time, the program develops the participant's capacity to deal confidently and competently with current managerial problems."

continued next page

Panorama continued

Private Enterprise Thrives in Cuba (N. Mex.)

Two years ago, the small town of Cuba, N. Mex., was dying. It had no jobs to offer and its young were flee ing to the cities. For the most part, those left behind subsisted on food stamps and welfare checks.

Then Earth Resources Co. of Dallas, Texas, built a mill and started mining copper on the western edge of the Santa Fe National Forest, a few miles outside Cuba.

Today, the Nacimiento mine and mill has a payroll of \$1 million a year and employs 130 Cuba residents, most of them Mexican-Americans and Jicarilla Indians. Ex-residents are returning, homes are being built, there is vitality and hope.

In keeping with its name, which means "nativity," the mine has meant the birth of an economic era for Cuba.

Cuba Councilman Anselmo Gallegos says: "The Nacimiento mine has infused a new spirit of civic responsibility in our people."

A \$2 million school bond issue has just been passed. Town merchants are



Site of the Nacimiento copper mine in New Mexico, which will be turned over to the public as a recreation area when mining operations cease.

upgrading their stores and merchandise. Home improvement loans have leaped twelvefold. Nearby ranchers are increasing their stock.

When Earth Resources came to Cuba it promised not to merely leave gaping holes in the wake of its mining. Almost from the start it has been restoring the land, planting as it has gone along. Five hundred trees were moved from the mine site to Cuba to help beautify the town. When the copper runs out, much of the mining area will be converted into a large lake. The lake and the other land will be turned over to the U.S. Forest Service.

"Earth Resources has stuck to all of its promises," says Franklin D. Sayner, vice president and manager of the First State Bank of Cuba. "Their past performance is a sign that even better times are yet to come."

Earth Resources bought the mine area from the Forest Service, By law, it does not have to return it. But it will-and this once-raw, heavily eroded land will become an attractive recreational site.

Company officials are proud of what they are doing in Cuba-but they tend to lower their voices if they're discussing it on airliners. Some of them, en route to the area, have drawn apprehensive stares from stewardesses when they mentioned their destination.

A Partnership That **Yields Many Profits**

Can a businessman learn anything or achieve satisfaction by working with government on a social problem?

William C. Woodward, a vice president of Alcoa, answers Yes.

Mr. Woodward has just ended a 12-month term as president of the National Alliance of Businessmen, which was created several years ago to find jobs for disadvantaged people, and whose goal was expanded last year to include jobs for veterans.

NAB is a business-government partnership that draws heavily from the ranks of executives in private enterprise who deal day-to-day with their counterparts in government.

"I have found that this partnership has valuable benefits for both business and government," Mr. Woodward says.

"For the businessman, it is extremely valuable to have a sabbatical from his usual patterns-to devote himself, for a year, to something foreign. This is particularly true in a situation where he can bring the talents and strengths of business to bear on the solution of a social problem.

"I know I have benefited greatly from my exposure to government and to the problems it deals with daily. And, at the same time, I believe the government is benefiting from its exposure to the business community."

His greatest satisfaction has come from his work with veterans. President Nixon last summer set NAB a goal of 100,000 jobs for veterans. The goal the President set has virtually been reached.

Mr. Woodward could have in mind what has happened to young men like Will Mauldin of Harrisburg, Pa., who left the Air Force to wind up in one dead-end job after another.

NAB steered him to Stephenson Equipment, Inc., where he was accepted as a mechanic trainee. His first job was washing down machinery; now he is repairing and servicing heavy equipment.

Young Mauldin says: "I've always wanted to work and have a feeling of accomplishment. Here, I am able to work with my hands and see the results."

Or take Rob Baca of Dallas, Texas, a veteran of both Korea and Viet Nam. A first lieutenant in the Army's Special Forces, he figured there was a good job on the outside. He wound up selling shoes.

Through NAB, Mr. Baca became a teacher at the Callier Hearing and Speech Center in Dallas.

"When I started work here, I had no idea what I wanted to do with my life," he recalls. "Now, I'm looking forward to a career in special education."

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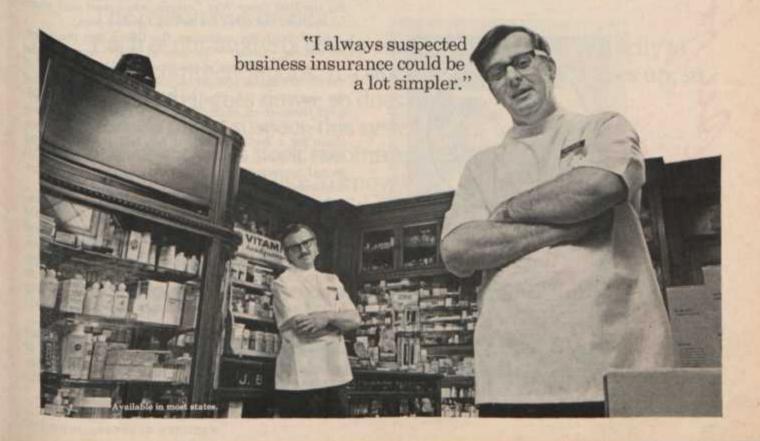
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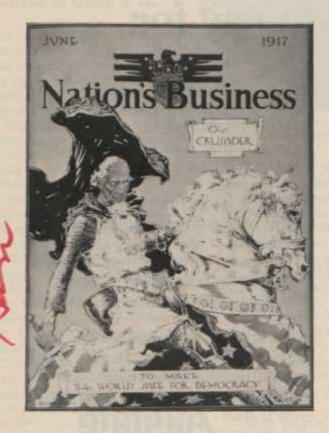
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established 1912.



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"Let the government take all our profits, if it must have them, so long as it doesn't destroy our business."

Those are the words of the president "of a prominent industrial corporation—one controlling eight subsidiary companies," as quoted in the June, 1917, issue of Nation's Business.

The reason for this spirit of self-sacrifice: That April, the United States had declared war on Imperial Germany.

"I have warned every officer of every subsidiary company not to let me hear any kicking about war taxation," the industrialist said. "The penalty is his job, if he does. This is not the time to kick."

An article headlined, "Business—the Enthusiastic Conscript," reported: "There, in a nutshell, is the attitude of American business, big and little, today."

A "high military officer" was quoted as saying: "They all want to go to the front, these businessmen who ought to stay home and keep the wheels of production grinding...."

If businessmen weren't clamoring to go "over there," where it wouldn't be over until November, 1918, they were eager to serve their country in Washington. "Look at the men of prominence in finance and industry... who are giving their whole time and energy to war service, leaving trusted lieutenants to take care of corporation affairs," the article said.

One prominent financier, a J.P. Morgan and Copartner named Henry P. Davison, was featured in a separate story, "The Millions of Mercy." He was heading the Red Cross War Council, which had vast plans for medical and other aid to U.S. fighting men.

All through the magazine, the theme was the same. An article entitled "We Are at War" reported the Executive Committee of the Chamber of Commerce of the United States was out to mobilize sentiment behind the war effort. "A Plea for National Unity," by Edward Hungerford, said: "This is the day to forget about the local wants. . . . Can your town furnish the enthusiasm for a regiment that it has had for a new post office? If your town has a population of 50,000, it should be prepared to furnish five companies of a hundred men each."

An article headlined "Labor, Too, Goes to War" predicted "our skilled men in shop and factory" would "hit harder in the industrial trenches," and examined how France and Britain had marshaled their workers. (Britain's Department of National Service, it seemed, was headed by Neville Chamberlain—who was to go down in history not for what he did during World War I, but for his vain effort at Munich to stave off World War II.)

And an article about government bonds predicted American dollars would "spring from the pockets of citizens." After sale of a new \$2 billion issue, the story noted, the national debt per capita would be \$30. It's more than 80 times that today.

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2 remained the same, and 32 declined.

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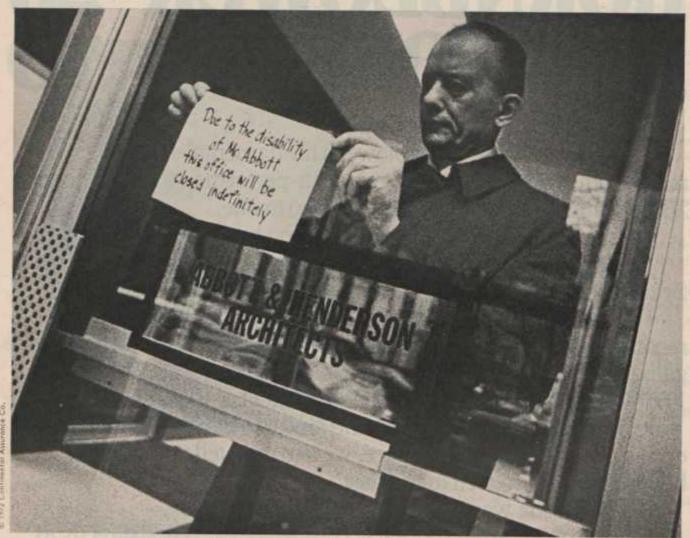
And if you would like to know what our analysts are recommending now, call or write any Hornblower broker.

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Private Health Aid Balloons

Private U.S. insurers paid \$17 billion in health benefits in 1970. That was three times the total for 1960 and more than 13 times the total for 1950.

The increase in benefits reflects the expansion of coverage, By 1970, 181,5 million Americans—nearly 90 per cent of the civilian resident population—were protected by one or more forms of private health insurance.

Roughly 170 million people under 65—94 per cent of the total of that age group—had some type of coverage.

Those statistics showing the rapid growth and broad coverage of private health insurance in this country are from the 1971-72 "Source Book of Health Insurance Data."

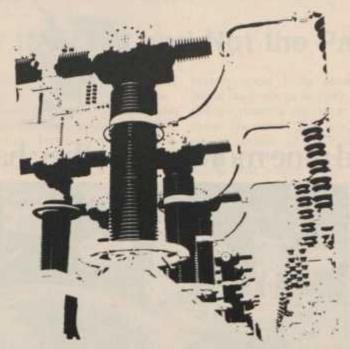
It's published by the Health Insurance Institute, which is maintained by the nation's insurance companies.

The Source Book, providing detailed information on major forms of health insurance, has been widely used over the years by the hospital and medical professions, government leaders, the business community, educators, unions, researchers, writers and others interested in health care and its financing.

The Institute, in a brief backward look, recalls that health insurance evolved from public demand over a century ago for some form of coverage against the frequent rail and steamboat accidents then.

Health insurance as such started expanding substantially toward the end of the Nineteenth Century with emphasis on replacement of income rather than medical benefits. Those early policyholders were protected against loss of earned income from diseases that included typhus, typhoid, scarlet fever, smallpox, diptheria, diabetes and a few others.

Single copies of the "Source Book of Health Insurance Data" are available free from the Health Insurance Institute, 277 Park Ave., New York, N.Y., 10017.



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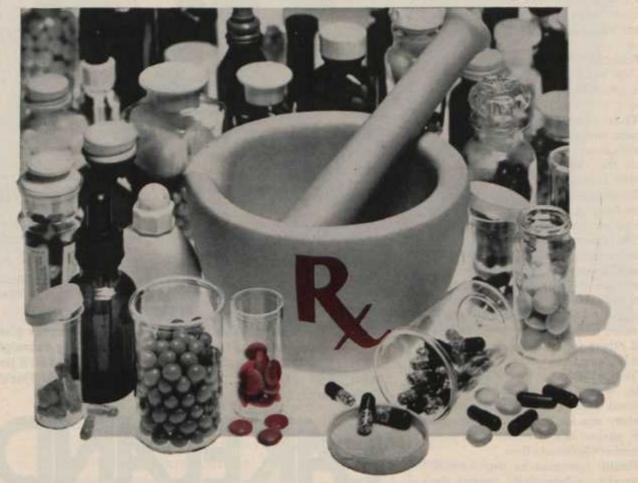
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Sound Off to the Editor

Should You Vote for the Man and Not the Party?

In his famed farewell address cautioning against "permanent alliances with any portion of the foreign world," President George Washington also warned the infant United States against dividing along party lines.

"The spirit of the party," he said, has "baneful effects." It "seems always to distract the public mind and enfeeble the public administration," he explained.

His successor, John Adams, held a similar view: "There is nothing I dread so much as the division of the republic into two great parties."

But despite the opposition of those and other early national leaders, the party system became deeply embedded in American politics.

By 1816, Andrew Jackson was saying that "now is the time," not to come to the aid of the party, but "to exterminate the monster called party spirit."

Emphasis on parties did subside somewhat in the ensuing "era of good feeling" but then it came back stronger than ever, and it has remained with us ever since.

Now, however, more and more Americans take pride in "voting for the man and not the party"—as evidenced by the fact that Presidential and other election results frequently bear little relation to party registration figures.

Though many agree that this is an enlightened approach to a citizen's responsibilities, others do not.

The two-party system, supporters of party-line voting say, has kept America stable—in contrast to the experience of other democratic countries.

They argue that weakening the

system could bring about politics based on personal factions, with candidates running on every individual issue. The result, they say, would be no continuity in politics, and so many candidates and so much confusion that voters would not know where to turn.

But those who argue that people should vote "for the man" say this permits choices on the basis of ability, rather than on the basis of rigid party ties.

Also, they say differences are so wide within each major party that the party label frequently has little meaning. They add that since many of the traditional differences between the parties have vanished, the parties' selection of candidates no longer guarantees voters clear-cut choices.

What do you think? Should you vote for the man and not the party?

Jack Wooldridge Nation's Busine 1615 H Street N Washington, D.O	ss .W.	
Should you vote	for the man and not the party?	☐ Yes ☐ No
Comments:		

THE PARTY OF THE		

	Name and title	********
	Company	
	City	

Sound Off Response

Anchoring Easter-Pro and Con

NATION'S BUSINESS readers, judging by responses to the April "Sound Off to the Editor" question, are split almost 50-50 on whether Easter should be celebrated on the same Sunday each year.

Those who oppose the change are generally moved by religious tradition and those in favor see it as a boon to business and an opportunity to better plan vacations, meetings and other events.

The question "Should there be a fixed Sunday for Easter?" triggered a large number of responses. More than 52 per cent answered in the affirmative and many—especially those who live in colder parts of the country—favored a Sunday late in April.

One proponent, Emerson P. Schmidt, Oakton, Va., an economic consultant, says: "The shift of the Easter season from year to year distorts data on retail sales, production and other economic or business indicators to the point where both the business executive and the economic analyst must waste much talent and money on making corrections in order to measure trends accurately."

Ed McMahon, president, Trade Shows, Inc., Houston, Texas, writes: "Due to the ever-increasing demands of affairs around us and throughout the world, I find that schedules must be set far ahead of their time. I strongly believe that all annual events—including Easter—should be fixed in an effort to improve organization."

A somewhat similar view is expressed by Luca Buccellati, president, Buccellati, Inc., New York City: "General planning is becoming increasingly important for the welfare and survival of future generations, and the fluctuation of Easter disrupts too many segments of modern life. From the religious point of view the birth of Christ is celebrated always on the same date. What reason is there not to celebrate His Resurrection in the same manner?"

But there are strong feelings on the other side.

For instance, Thomas F. Moore,

president, Industrial Lead & Plastics Construction, Inc., South El Monte, Calif., says: "Change simply for the sake of change is of no value. We try to give our children a sense of heritage. Let's not jar them around just to be flexing our muscles. Some sense of tradition may reinforce the stability of the individual in this present-day society."

Gene Burnett, president, Burnett Instruments, Lawrence, Kans., writes: "Moving George Washington's birthday was one thing and Christ's Resurrection is another. It seems to be more useful to have adjusted George's birthday, because it could fall on any day of the week, whereas Christ's Resurrection is always on Sunday. Leave it alone."

"My very first reaction was that people should stop trying to 'play God,' " writes James C. Harris Jr., president, Harris-Lake Oil Corp., Mt. Dora, Fla. "On reflection it seems there must be many problems that need solving other than changing things that have been observed for years. In these times of great change everywhere it is comforting to have a few things that remain the same, such as Christmas and Easter. Or is Christmas going to be next?"

However, Dr. L. J. Peterson, pastor, Northbrook Presbyterian Church, Birmingham, Mich., likes the idea of a fixed Easter, as long as it's not when there's still snow on the ground in Michigan. "Make it about the fourth Sunday in April and I'll say Amen," he explains.

"Set a definite date in the calendar for Easter and let the churches follow or not," asserts Robert E. Varnerin, manager of education, Manufacturing Chemists Association, Washington, D.C. "We will clear up a great deal of confusion on vacations and business."

"The particular day chosen to commemorate a great event is usually both arbitrary and irrelevant," writes Mark Draper, associate creative director, KRM, Inc., Miami, Fla. "For example, there is no Biblical evidence that Christ was actually born on Dec. 25th, but this hasn't interfered with the celebration of Christmas. What counts is the spirit, not the date."

On the other hand, Thomas A. Tebbens, president of The Alfred T. Tebbens Steel Corp., Center Moriches, Long Island, N.Y., is vigorously opposed to a change, "Easter is a 'holy day,' not a holiday," he notes. "Americans seem to have a fixation on rubber-stamping everything or compartmentalizing everything. Easter runs an identity-loss possibility if a date is fixed."

In somewhat the same vein, S. Merl Burdett, district manager, General Cinema Corp., Orange, N.J., asserts: "I think the commercialization of all holidays, religious or otherwise, has gone too far already."

Russell H. Morgan, vice president-general manager, radio station WTTR, Westminster, Md., prefers to stick to "the first Sunday after the first full moon following the vernal equinox. This cosmic fact remains regardless of our ignorance of the plan—and the plan is working for our benefit regardless of our ignorance."

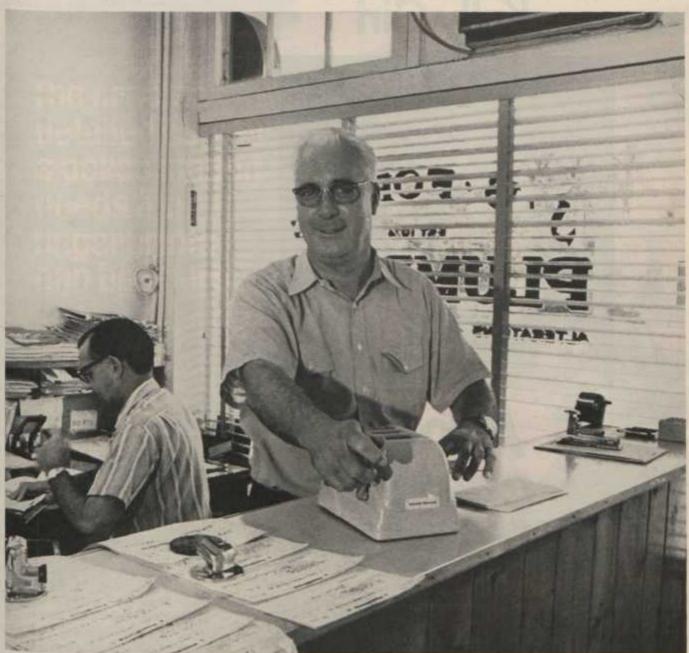
"Too many well-founded traditions have already been changed by government," says David B. Redding, president, Macon Tent & Awning Co., Inc., Macon, Ga. "Every time one of these good traditions is changed, it deteriorates the caliber of the American people and the greatness of the country."

However, John T. Braxtan, secretary, Bemis Co., Inc., Minneapolis, Minn., thinks it's time for a change-"Certainly it would be desirable to have a fixed Sunday for Easter from a business standpoint because more and more companies observe Good Friday as a holiday," he says.

And F.H. Hamilton, executive vice president, Swan Point Cemetery, Providence, R.I., writes: "Easter is of particular significance to cemeteries. A fixed date would better enable them to schedule their maintenance and greenhouse activities."

"Since Easter is the most meaning-

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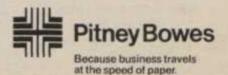
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the money comes in. You can't get much more basic than that. (Because metered mail is self-canceled in the meter, the Post Office saves a step, and, more often than not, your mail is actually processed faster.)

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The fact is, a lot of good little things begin to happen when you get a Pitney Bowes postage meter. Many thousands of small businessmen like Jim Forbes, Jr. appreciate the speed, the accuracy, the precise record of just how much postage they use. You could, too.

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So, the next time you need any kind of temporary help, remember the one sure way to avoid costly substitutes.

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Anchoring Easter

continued

ful holiday in Christendom, it would be better to leave it the way it is," writes Albert Beottcher, chairman, Hawthorne Stamping Co., Hawthorne, Calif.

Philip Zotos, vice president, Hexagon Laboratories, Inc., Bronx, N.Y., agrees that "Easter is not another excuse for a three-day holiday—it is the most important religious celebration in Christianity." He adds: "This is a ridiculous question to be posing."

"We have had too much legislating of holidays and are losing all perspective of their purpose and tradition," E.H. Shoemaker Jr., president, Milldale Ranch Co., North Platte, Nebr., asserts.

However, Ernest Hetherington, president, Fred A. Stewart, Inc., San Gabriel, Calif., wants a fixed Sunday for Easter.

He explains: "The variable date has about nine out of 10 Americans confused. It costs the economy more than we realize. A good illustration is our particular business, which is orchids. It is a perennial problem to match up our production to the market. I hope Easter will in time come to be automatically celebrated on the first Sunday in April."

Setting aside the second Sunday in April for Easter appeals to Sal Novelli, vice president, Admiral Plating Inc., Long Island City, N.Y. He writes: "More or less after the wintry weather, it would be a boon for retail stores. Consumers, psychologically would not connect winter with the Easter season and would go shopping for their fineries."

"The inconveniences in scheduling business, schools, vacations, etc., arising from the 'floating' Easter far outweigh the church-oriented reasons for objecting to a change," according to J.G. Cloyd, industrial engineer, Republic Steel Corp., Chicago, Ill. "Not one person in thousands knows how the date is set anyway. Until he sees the next year's calendar he doesn't know which date it is."

And Frank G. Helman, controller, American DEMAG Corp., New York City, puts it this way: "The practical arguments in favor of a fixed Sunday are impressive. The emotional arguments against it are not so impressive." The precise detailed copies a police station needs for fingerprints can be yours



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Nation's Business . June 1972

The Russians May Be Spying on You

Not all the secrets that Moscow's agents covet here involve our defenses; private industry matters, too, are their target

There's an aggressive and very conceited young Russian assigned to the Soviet Mission at the United Nations in New York who will get the shock of his life if and when he sees this.

The Russian, whom we shall call Mike, is a spy. He has been for many months. Every move he has made, every contact he's made, every American he has tried to subvert, every piece of information he has tried to get, is known to the intelligence community in New York and Washington.

The young Russian's superiors the Soviet Ambassador at the Mission in New York and the Ambassador at the Embassy in Washington will know exactly who Mike is the moment they read this. The usefulness of this freewheeling agent will then be utterly destroyed and unquestionably he will soon be on his way home.

Mike, who has the diplomatic rank of third secretary, has spent most of his time since Christmas trying to get quite important industrial information from an American electronics engineer, and all that he has done has been carefully recorded by intelligence operators.



Just as they do in getting detense and diplomatic secrets, Russian spies use "drops" for passing on orders and money to Americans selling industrial secrets, and for picking up what they buy. Mike's tavorite drops were terminal baggage lockers. U.S. agents were always watching.



The Soviets don't like it if their spies are caught—especially now, when U.S.-U.S.S.R. trade is increasing, when enormous shipments of American grain and industrial products may be going to the Soviet Union in return for liquefied natural gas, for oil, ores, furs.

There are still a lot of Russians like Mike in the United States. In fact at least two out of three Soviet diplomats, servants, chauffeurs. clerks, secretaries, trade mission members, Intourist agents, TASS and Novotsi news correspondents, and Aeroflot airline stewardesses and pilots are actually intelligence agents. Some may be new in the spy trade and still learning how to bribe for business information. Many may be only part-timers, while otherwise engaging in normal duties of a foreign representative.

Information on how these Soviet agents operate, on who some of them are and what they have accomplished or failed to accomplish, was given NATION'S BUSINESS by American and

STERLING G. SLAPPEY, author of this article, is senior editor of Nation's Business,

British counterintelligence agents whose names and organizations, for obvious reasons, cannot be used.

One assignment for an operative like Mike might be to obtain the latest information on a high-resolution space camera. Or to penetrate aircraft plants and get plans for a wing design for a proposed Mach 4 jet.

Or to ferret out details on industrial programs or processes which have nothing whatever to do with defense.

Business spying by Soviets, Poles, Czechs, Hungarians, Bulgarians, Romanians, and even by Chinese communists with whom we have suddenly become more friendly, is a far bigger operation than the average American thinks. There are hundreds of these spies.

The British woke up last September to the fact that their industrial secrets were being stolen by the score. One hundred and five officials from the Soviets' Embassy and trading organizations in London were suddenly expelled.

Explaining the sensational expulsions, Sir Alex Douglas-Home, the British Foreign Secretary, said: "The inadmissible activities conducted from the Soviet trade delegation included the running of agents, instruction in the use of clandestine techniques, the offer and payment of considerable sums of money to persons resident in this country to suborn them or to secure their help in obtaining classified information both official and commercial—or commodities subject to embargo or other restrictions....

"The Soviet Union conducts espionage against Great Britain on a large scale. Even if I were to mention only those cases which have become public knowledge during the last few years the list would be a long one."

The Belgians have sent 37 Soviet spies home since autumn.

It is now known that much of the information the agents in Britain and Belgium were sending to Moscow was taken from companies in the United States or from subsidiaries of American companies abroad. Most of the information was gained illegally.

The student spy

In the United States, Mike's case is classic. He first came to the U.S. in 1965 as a graduate student in electronics engineering at an upstate New York university. He was a student after a fashion, but his main job was to prepare himself for work with either Komitet Gosudarstvennoi Bezopastnotsi (the K.G.B.) which means Committee of State Security, or with Glavmoe Razvedivatelnoye Upravlenie (the G.R.U.) which means Central Intelligence Directorate.

Mike completed his studies and returned to Moscow. In the spring of 1971 he came back to the United States as a Soviet diplomat at the UN. He performed some diplomatic chores but foremost he was an agent for the K.G.B.'s Scientific and Technical Directorate.

His boss was K.G.B. chief Yuri Andropov, a candidate member for the Politburo which rules the Soviet Union, as well as a member of the Council of Ministers, Andropov was Soviet ambassador to Hungary in 1956 and he helped lure Hungarian revolutionaries into a trap, Many

The Russians May Be Spying on You continued

were ordered executed by Gen. Ivan Serov, then K.G.B. chief.

Mike has a number of attributes that have been assets in his work over here. He speaks idiomatic English with only a pleasantly faint accent. He is companionable, he knows how to live well and he has many American friends.

One, our counteragents call Bill.

Bill did Mike a favor and put him in touch with another American, John, who-like Mike-was an electronics engineer.

Soon after the two engineers met, Mike asked John to get a marketing analysis paper which was available to him in his job. There was nothing surreptitious in the request and John supplied the paper. His new friend's gratitude for an inconsequential favor was bountiful John was wellpaid.

Mike claimed to be working in the Soviet UN section dealing with underdeveloped countries, but soon he was requesting documents available only to a limited number of technicians. He started arranging to meet John on street corners. He insisted after meeting that they separate and meet again at another place. Soon he insisted they meet in John's girl friend's apartment.

Secrecy increased. Payoffs grew. So did Mike's demands. By late 1971, Mike was demanding-and getting-classified U.S. government documents. John would be told to leave the material in public baggage lockers for Mike to pick up. Money was always passed in plain envelopes.

"The moment of truth"

When he supplied classified documents, John had reached what intelligence agents call "the moment of truth." He was then committed to an intelligence conspiracy. He had passed secret information, he had been paid, and he was under the control of a foreign agent.

But happily, John had told the FBI the whole story months before. Mike has been given nothing that could hurt this nation.

America, Canada and Western Europe are open societies. Vast amounts of business information. technical and otherwise, is freely disRussians like Mike, working at the Soviets' UN Mission. have diplomatic status which protects them from arrest. nessman.

tributed. Getting it is not illegal, and in fact much of the work that the spying Mikes perform is within the law. But they use such material as stepping-stones to what counteragents call the "hot stuff."

They do a lot of stepping. At one time, about two years ago, six cases of such spying known to counterintelligence were going on simultaneously in Washington and New York. Several involved news correspondents who had access to information the Soviets wanted, but failed to get.

Sometimes the stepping is toward government information, sometimes toward the private sector. A recent case strikingly similar to that of John involved a Midwestern busi-

In Britain, the Russians expelled Vladislav Aleksevevich included Drozdov and Dmitry Ivanovich Sorokin, for trying to buy sensitive industrial information; Viktor Niko-layevich Dvoryankin for trying to bribe-with women, whiskey and vacations-employees who had knowledge of computer construction; Leonid Yakovlevich Tyuklin, also for trying to get computer information.

One Russian was caught in London buying, at \$1.30 a page, lists of car license numbers from an employee in an automobile registration

He wanted to identify unmarked police and detective cars.

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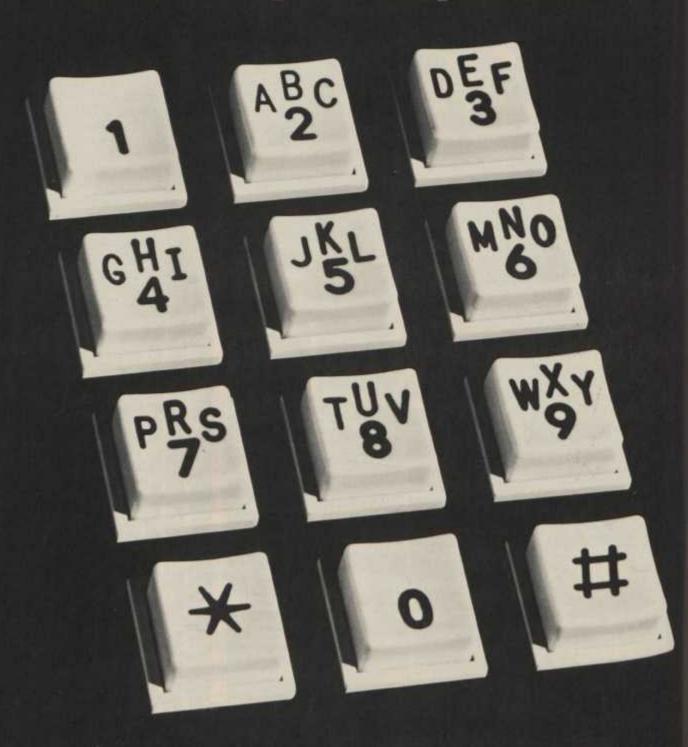
> need, from cable television for closed circuit programming and surveillance to twice the number of parking spaces available in older comparable buildings. The striking new Union Bank Building could be just the space you've been looking for. And it's ready. Tear out this page and give it to your secretary. Tell her to write for complete, detailed information on Newport Center and the new Union Bank Building. The man in the office in the building in the city in the park could be you. Write to Mr. William Dailey. Matlow-Kennedy Corporation, Suite 370, Union Bank Building, 610 Newport Center Drive, Newport Beach, California 92660, Phone (714) 844-5185.

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If you're considering owning your own telephone equipment, here's why you should buy it where the majority of telephone companies do.



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counts receivable financing may be the best method of speeding the use of your assets:

1. To protect and improve your credit rating.

To save by taking advantage of cash discounts in paying suppliers. (This saving alone can often defray much of the cost of accounts receivable financing.)

To save by buying when price concessions or special discounts are offered.

To save on transportation costs by buying in larger quantities.

To carry larger and more complete inventory in the interest of making more sales and faster deliveries to customers.

To promote greater sales volume by accepting more and larger customers.

Of course, there are many more reasons why you might find it convenient to borrow with your receivables and we'd be glad of the opportunity to discuss the matter with you. Simply get in touch with your nearest Wells Fargo Bank.



Since the Soviets are eight to 10 years behind the Americans in computer technology, their greatest need right now is along this line. The quickest, easiest and cheapest way to catch up is to do what they have done before—steal information, or buy it.

Other items the Soviets are most interested in are special transformers, semiconductors and jet engine design information. And they are interested in assembly line techniques because they have never mastered the assembly line. Pharmaceutical information is also highly valued.

It isn't by chance that the Anglo-French SST "Concorde" has an almost identical twin brother in the Soviet Union called the TU-144. Information on the Concorde's outside configuration was stolen several years ago and copied for the TU-144.

Target: the embargo lists

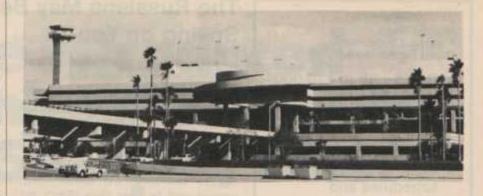
NATO nations and Japan have long had the COCOM—meaning Coordinating Committee—list of goods, items and technical information which are embargoed from trade with communist bloc nations. In addition, the United States for many years has had its own more extensive list of goods which cannot be sold or given to bloc nations.

These lists have been reduced in size and 1,700 items were recently removed in one swoop. But they still are complicated, and often only attorneys and technicians working together can determine if an item is actually contraband. An American businessman who wants to know if a certain item is embargoed should contact the closest Commerce Department field office.

Attempts to get embargoed information and material are increasing and counterintelligence officials say the pace will continue to quicken now that East-West trade is rising.

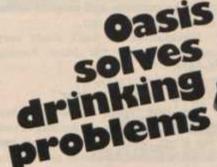
Trade between the communist bloc and this country is still small. But during 1971, U.S. exports to bloc nations amounted to a record \$384 million, twice the trade of 1967. Bloc sales to the United States last year were \$226 million, also a record.

Communist industrial spies come in many guises and they are harder to spot and handle now than they



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The Russians May Be Spying on You continued

were a few years ago. One American counterintelligence agent says:

"I used to be based in the Middle West and I'd get a message that a couple of Russians were heading my way. I'd go to the airport to meet their plane and they would be easy to spot—baggy suits, cheap shoes, sleeves too long. I'd follow them around and be sure they didn't get into mischief. We'd log everything they did and whom they saw. Usually they would see three or four businessmen on the way to the West Coast.

"But now try to spot a Russian! They wear good clothes, well cut. They don't slop around. They blend into a crowd. They're pro's—at least most of them are."

Last year, Oleg Lyalin, 34-year-old K.G.B. agent, defected to the British in London. Counterintelligence agents found they had the best-dressed, smoothest-talking, most urbane Russian they had ever seen. Lyalin, quite a man with the ladies, had posed as a trade official and actually had placed large orders for pantyhose and negligees to be sent to Russia.

"Usually such spies as Lyalin quickly move to the embargo lists where their pickings are greatest," a counterintelligence officer says. "The record of American businessmen in turning over to us full information is outstanding. We find no lack of patriotism. The country comes before profit."

Counterintelligence agents have no difficulty differentiating between the Soviet exchange student who has come to the United States purely to learn and the "student" who is here to make contacts and prepare to become an industrial spy.

Pseudostudents don't study very much. They're too busy moving around.

The spy's best "cover"

The best "cover" a Soviet industrial spy can have is Amtorg Trading Corp., whose activities give him a ready excuse for travel and mixing with businessmen.

This is a Soviet government "company" and its representatives do not have diplomatic status—meaning they can be arrested. They place millions of dollars worth of legitimate orders. They also often stray off the straight and narrow into spying.

Said the late J. Edgar Hoover of the FBI, not long ago:

"There has never been any lessening in the Soviet effort to cultivate
American businessmen and obtain
from them industrial data and trade
secrets. The Soviets push themselves
upon their targets in the business
world with varied gestures of friendship. It is important for all businessmen to recognize that the 'friendly'
Soviet, buying drinks and dinners
and expensive gifts, is a potential
threat

"I, of course, recognize that there are legitimate business dealings between Soviet bloc officials and American firms. The FBI is not interested in such dealings. The FBI is interested, on the other hand, in those Soviets who abuse their presence in our country and try to buy, steal or otherwise obtain our secrets. Businessmen suspecting Soviet acquaintances should immediately advise the FBI.

"The Amtorg Trading Corp. continues to be used by the Soviet intelligence services as a cover for placing intelligence personnel in the United States."

Americans have a harder job watching the Soviets than the Soviets have watching us.

The Soviet Embassy in Washington counts 202 employees with full diplomatic status, including 50 working wives and 80 custodial and administrative workers. The total is up from 190 in just over a year. There are also 158 people with full diplomatic status at the Soviet UN Mission, plus eight at the Mission of Byelorussia and 11 at the Mission of the Ukraine, both of which are part of the U.S.S.R. but which have separate representation at the UN.

These 379 Soviets compare with 123 Americans in Moscow who have diplomatic status.

In addition, there are about 187 Soviets without diplomatic status at the UN Secretariat, 16 with Amtorg, seven with Intourist, 11 with Aeroflot, and about 31 who are correspondents of Soviet news services, magazines and newspapers. Meanwhile, the only Americans regularly

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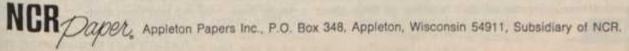
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in business systems, we've put it all together.

means business





The Russians May Be Spying on You continued

based in the Soviet Union with no diplomatic status are two Pan American Airways men and between 20 and 25 correspondents.

Just about all the Soviets' work force in the United States is brought in. They do no local hiring except for a TASS man or two.

In an attempt to save money, the State Department years ago decided not to fill 80 nonsensitive U.S. jobs in Moscow—chauffeurs, low-ranked clerks, mechanics and others—with Americans.

A Soviet agency called Buroben supplies these 80 workers and it is known that they report directly and regularly to Soviet intelligence authorities on practically everything they see, hear and do. Most work for the K.G.B.

Our counterintelligence agents' work will increase when the Soviets, as they are scheduled to do, open a consulate in San Francisco while the U.S. opens one in Leningrad.

Over the years communist bloc diplomats, trade officials and lower ranked workers have been caught in scores of espionage cases.

Since 1949, 22 Soviet diplomats assigned to the United States have been expelled, plus 15 in the Soviet Mission at the UN and four on the UN Secretariat. During roughly the same period, 34 American diplomats have been expelled from the Soviet Union.

The British have had proportionally more trouble with the Soviets—the 105 expulsions last September show just how much trouble they've had. The main reason: the British have been more lenient. Now, Britain has tightened its watch and has forbidden the Soviets from building their Embassy roster up to its size before the expulsions. The roster has been reduced from 550 in September—which made it the largest embassy in the world—to 445. In 1950 there were only 138 Soviets in the London Embassy.

The Belgians have kept a close watch on an agency selling Soviet-made autos that is located near NATO headquarters outside Brussels. They have watched it so closely, that the agency, whose building looks like a porcupine because of all the communications antennae on its

roof, is now ineffective as a spy operation.

Another organization under scrutiny is a West German "civil intelligence" company which deals mostly in information of a secret nature.

The firm, which has agents throughout Europe and the United States, will sell information to anyone willing to pay up to \$47,000 a year for a basic service plus extra fees for special information. Reportedly, it sells as much to the Russians as it does to the West.

Its specialty is such business information as production statistics, projections, research and development expenditures, secret processes.

The company, and others, will undertake to get embargoed items and information for foreign companies which legally are entitled to have them. Then the material is transferred to buyers in "third party" countries, which, of course, are Red.

The West German firm will also spy on one company in behalf of a competing company.

In recent weeks the U.S. Commerce Department has cited French, Austrian, British, Dutch, Swedish, West German, Colombian, Hong Kong and Macao companies which obtain and forward contraband into the communist bloc.

It's painstaking, grubby work running down such people. And there's plenty of dirty work of a different sort in the murky world of the spy.

The "Three B's"

"Bribery, blackmail and babes" are the "Three B's" of espionage. There have been many cases of bribery such as Mike tried on John. There also have been many cases of blackmail involving businessmen of recent-immigrant origins who had close relatives inside the Soviet bloc. They were told their relatives' lives were in danger if the businessmen didn't cooperate.

Babes are often used along with blackmail, especially in Moscow, in attempts to obtain information from visiting businessmen. A girl, known in the espionage field as "a swallow," is planted by the Soviets. She becomes friendly with the visitor, who may have been in Moscow for weeks waiting to hear about a trade deal. He and the girl might go to Gorky Amusement Park, to horse races, for boat rides on the Moscow River or to dinners at the Praha or Aragvi restaurants. Then back to the National, Ukrainna or Metropole hotels.

Suddenly the door to the visitor's rooms is thrown open. Flashbulbs go off and a Soviet agent comes in for a talk which Russians sometimes call a "chin chin."

All will be forgotten, the film will be destroyed, if the visitor will get certain information or items into the hands of Soviet diplomats or trade officials back in the States.

The business and political careers of a Briton named Anthony Courtney, a Member of Parliament who also was a businessman specializing in East-West trade, were ruined several years ago when he was "set up" in similar circumstances.

"The evidence of an affair with a woman friend in Moscow," as he puts it, was used to defeat him for re-election to the House of Commons.

Anthony Courtney is now selling typewriters and teaching typing in the West of England.

Another way to get at foreigners in Moscow is for a plant to ask the visitor to carry a samidzat—an unpublished manuscript, usually critical of the regime—out of the country. "Dr. Zhivago" was sent out this way. The twist is for waiting Soviet agents to "discover" the samidzat and make a pitch for the visitor's cooperation in getting embargoed material to the Reds, in return for the matter being dropped.

Americans are known to have refused to cooperate. As a rule they have been allowed to leave the Soviet Union anyway, with nothing heard of the affair again.

One who did hear again—in another type of blackmail case—was a man set up in the National Hotel with a Russian woman. Copies of a picture taken by Russian agents who burst in on him were sent to his family and some of his friends.

In the copies they saw, the woman had been clipped out of the picture and a Russian man had been fitted in so perfectly that only the best intelligence-crime laboratory in the United States could say for sure that the switch had been made.

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and smooth, quiet, agile handling.

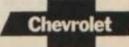
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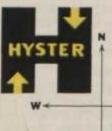
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How not to vacation

"Too many American businessmen don't know how to vacation." So says Dr. Irvine H. Page, nationally known heart disease authority. The big mistake most make, he says, is "trying to fit in quickie vacations to accommodate overcrowded work schedules."

One of the major "triggers" for heart attacks, he warns, is "chronic emotional fatigue" which is piled on layer by layer during the daily tensions of work. The only way to peel off fatigue layers, Dr. Page advises, is "to take the right kind of vacations for long enough periods."

By "long enough," Dr. Page doesn't mean 10 days or two weeks. He means a full three weeks or longer. He asks those who claim they can't afford to take so much time: "With heart attacks looming as the major killer of businessmen—can you afford not to?"

The first week or 10 days of vacation, Dr. Page contends, is spent "unwinding," and you get real benefit from there on in.

Not only the length of vacation but the type is important, he says. "You shouldn't make big plans to meet friends or business associates on your vacation," Dr. Page warns, because this can turn the whole thing into an exhausting "tonight-it's-ourturn" cocktail party rat race.

A change of pace and scene is necessary and it doesn't have to be expensive if you like such things as reading, walking, sleeping and swimming. Some of the most successful vacationers, Dr. Page says, are those who read piles of pocket novels and get relaxing exercise.

Taking work on your vacation nullifies most of the benefit. Dr. Page says a complete break is best and will actually help you perform more creatively on the job when you return.

Some of the new overseas airline

rates bolster Dr. Page's type of vacation. For instance, if you take from 22 to 45 days off, you can fly overseas for half the regular "economy" rates.

Pros and cons of joint ownership

If you look over your personal assets, you'll probably find several items that are jointly owned by husband and wife. In some instances this is a good idea, in others it isn't.

Many married couples blithely sign contracts for joint ownership without thinking of estate tax consequences. Some even think joint ownership magically avoids estate taxes if the husband dies first.

Tax planners say that some kinds of property should be held in joint ownership to make it easier on the wife if the husband dies. For example, the family home, and a bank account with enough in it to tide the wife over for several months, should be owned jointly, they say.

If the estate is relatively smallunder \$100,000, including home, insurance policies, savings, securities it might not be a bad idea to have everything in joint ownership. At the husband's death it would all go over to the wife, avoiding probate expenses.

If, however, the estate is considerably over the \$100,000 mark, some of the property definitely should not be in joint ownership. This is because the jointly owned assets would be hit twice by estate taxes—when the husband dies and when the wife dies—leaving a lot less for the children.

To get around this, a husband can make gifts to his wife of up to \$6,000 a year tax-free, and this money, of course, won't go into his estate.

MR. WEAVER writes a syndicated newspaper column on personal finance, and has a radio program which is broadcast by more than 100 stations. Another idea is for the husband to put a good portion of his property (other than the home and a small bank account) in an irrevocable trust so the wife can get the trust's income after his death. This way, the property will escape estate taxes when the husband dies and when the wife dies. The children will get more.

Air-conditioning service contracts

A proper service contract is a must for air-conditioners these days. If you don't have one, it's almost impossible to get service during the hottest months. Contractors put their service customers at the top of their work schedules and only squeeze in outsiders if there's time.

Aside from this availability guarantee, a service contract can keep your air-conditioner running longer with fewer breakdowns.

A good contractor will make at least four "preventive maintenance" visits during the year. Equipment is checked at the beginning of the hot season and later on in the summer, It's checked again when you switch from air-conditioning to heating, and later on in the winter.

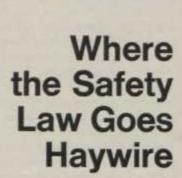
Some service contracts just cover "preventive maintenance" visits and not parts or labor when something goes wrong in between. Others cover everything and are, of course, more expensive.

If you can afford it, the all-inclusive (possibly with some deductibles) contract reduces aggravation. The work seems to get done quicker and there's less chance of something going wrong. The service firm isn't paid extra for having to come back. So the job is done right the first time.

On your own, keep those filters clean. Filters clogged with dirt, according to contractors, are a major cause of air-conditioning breakdowns. And a dirty filter adds more to your electricity bill.

HITOS - WERE DANIELS—BLACK STAR







Some of OSHA's standards, say businessmen, are impractical, too complex and overly costly; for example, is ice in drinking water really unsanitary?

"It was a red-letter day for us," says Robert J. Starr, president, Safety and Industrial Net Co., Colebrook, Conn.

His firm makes a patented heavyduty net used on bridge and high-rise building construction.

Mr. Starr, 67, founded his company about nine years ago, and it prospered.

But it was after April 28, 1971, that sales really took off.

That was when the federal Occupational Safety and Health Act went into effect. It spells out a whole raft of regulations affecting every business and industry.

Its greatest impact, perhaps, has been on the construction industry. It specifies, in minute detail, how a construction job must be run—from dispensing of paper drinking cups to operation of laser beams.

One requirement is for safety nets on high-rise, skeleton steel construction, where planking or scaffolding isn't practical. "Since then," Mr. Starr says, "our safety net sales have shot up 50 per cent."

His firm's heavy-duty, small-mesh net costs 40 cents a square foot. On a big job, that runs into money.

"Our nets are being used on the Gold Star Bridge at New London, Conn.," he says. "The bridge is about 3,000 feet long. They're using about 250,000 square feet of nets."

Or, \$100,000 worth.

"His sales will go up a lot more," says Keith Nystrom, assistant safety director, Brown & Root, Inc., a big Houston, Texas, construction firm.

"Many builders still don't know that, in many cases, they must use nets.

"The nets' use on high-rise steel erection—like boiler structures for power plants—may hike costs 100 per cent or more for that part of the operation. They're expensive to buy and install. And they make it much more difficult, and costly, to hoist up building materials."



Mr. and Mrs. "Blackie" Gadarian took on the federal government, and won, in an Occupational Safety and Health Act case. A review commission overruled a gumshoe who said their boatyard (at left) failed to meet U.S. safety standards. One thing the Act has done is create jobs for hearing examiners, or "judges." In 12 months, there were 842 protests against OSHA sleuths' claims of violations—as against estimates of no more than 200. As a result, the review commission is beefing up its bench-from 19 judges to 45.

Brown & Root, he points out, is all for safety and health. So are other members of the Associated General Contractors, a group which acts as an industry spokesman.

Says AGC President James D. McClary, who is senior vice president, Morrison-Knudson Co., Inc., Boise, Idaho:

"We can't buck the objectives of the safety law. We're for one."

The record is good

But how badly does the building industry need the eagle-eyed surveillance of the new Occupational Safety and Health Administration?

Well, its safety record is pretty good.

National Safety Council statistics show it is less dangerous than these industries—coal mining, other mining, meat packing, air transport, transit, lumbering, leather, quarrying, wood products and marine transport. Its accident rate, per million man-hours of exposure, is 13.48.

Mr. McClary says a prime irritant in the many OSHA standards is that they do not fit a construction site, but are more appropriate for industrial plants.

Another prime irritant is what the Act does to costs.

"I've heard estimates that the law will boost construction costs anywhere from 10 to 35 per cent," Mr. McClary says. "Personally, I don't think it will be as high as 35 per cent.

"But if the standards are applied as they are now, and as the OSHA agency plans to apply them, they could hike building costs 10 to 20 per cent."

Construction is a \$100-billion-ayear industry.

A 10 per cent hike would add \$10 billion to the price Americans pay for homes, highways, subways, office buildings, high-rise apartments and other construction.

Waterloo, Iowa, the county seat of Black Hawk County (pop. 76,000) recently discovered what that means. "We took bids last December on a lift station," says Mayor Lloyd Turner. "It was part of a \$3.8 million sewer project. HUD paid half the cost; we paid the rest.

"Our engineer's estimate for the job was \$270,000.

"It was made before OSHA became the law of the land.

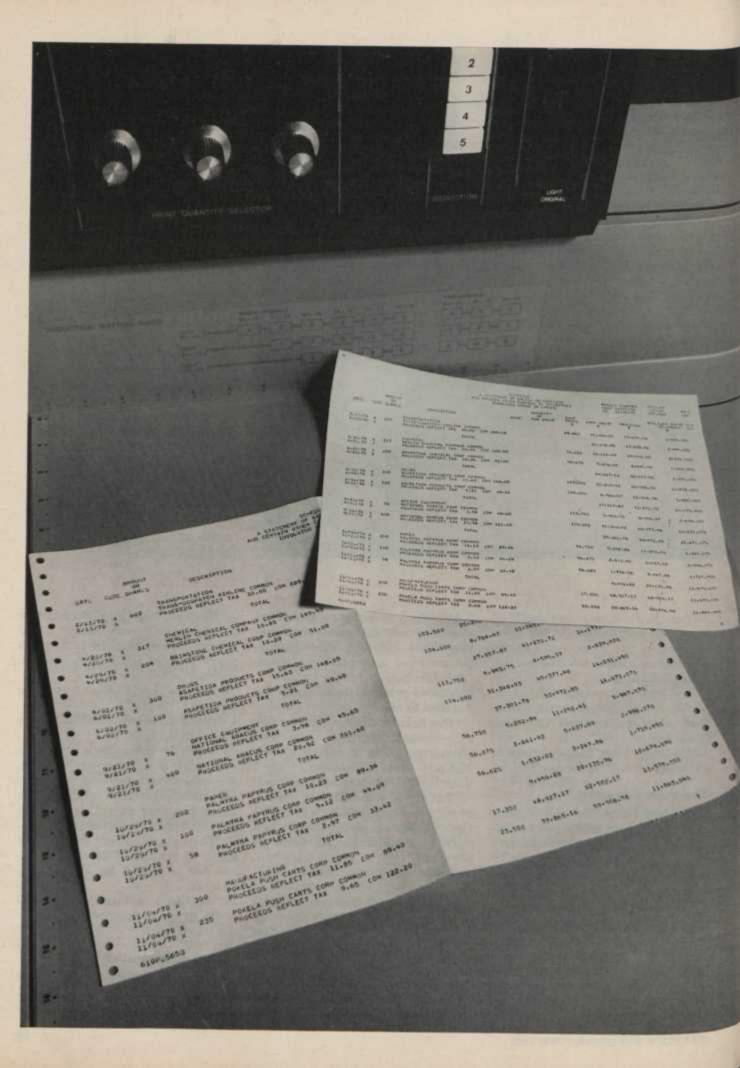
"When the bids came in, they were staggering—the lowest was \$485,000. We held them up several weeks for evaluation. It turned out that the lowest bid was realistic, even though far higher than we expected.

"There were other factors, but about 15 per cent of the cost was attributed to OSHA by all the contractors,

"We had to sell another \$100,000 worth of bonds this April to pay for the added costs."

How's that again?

Vernie Lindstrom Jr., executive vice president, Kitchell Contractors, Inc., Phoenix, Ariz., explains why



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XEROX

Where the Safety Law Goes Haywire continued

OSHA increases construction costs. "Some standards are impractical, costly and complex," he says.

As examples, contractors cite rules like these:

 "A fire extinguisher, rated not less than 2A, shall be provided for each 3,000 square feet . . . or major fraction thereof"—even on a steel skyscraper with poured concrete floors. And "travel distance from any point of the protected area to the nearest fire extinguisher shall not exceed 100 feet."

What's a 2A fire extinguisher?

Is a 1A better—or worse? How about a 3A or a 2B?

The 70-page rule book, "Safety and Health Regulations for Construction," doesn't say.

That's spelled out in National Fire Protection Association manuals.

"To understand the ratings, you really should have two NFPA booklets," an NFPA spokesman says: "They're 'Standards for the Installation of Portable Fire Extinguishers,' 36 pages, price \$1. And 'Standard on Recommended Good Practices for the Maintenance and Use of Portable Fire Extinguishers,' 33 pages, also \$1."

If a builder writes NFPA, gets the booklets and reads them, he'll learn that a fire extinguisher tagged Class 1A isn't as good as one with a Class 2A rating.

But a 3A is better.

And a 2B is for a different kind of fire altogether—one involving flammable liquids and greases.

That 2A extinguisher, required even on a steel and concrete skyscraper, is for wood, paper and cloth fires. Or, OSHA says, you can substitute for it a 55-gallon drum of water with two fire pails.

 "Wall openings, from which there is a drop of more than four feet, and the bottom of the opening is less than three feet above the working surface" shall be protected with a guard rail.

What does this mean in plain English? It means, contractors say, that a window with a sill less than three feet off the floor must have a railing or other barrier across it. Apparently even after glass has been installed, including thermopane glass that's hard to fall through. And many modern office buildings have sills lower than three feet.

No detail is too minute for OSHA's attention.

Take drinking water, for example. You can't put ice in it. It's not sani-

"That means," a contractor says,
"that to give workmen a cool drink
of water, you must have a jacketed
water cooler. One that plugs into an
electrical socket.

"But you don't always find those utilities everywhere on a half-built building."

A lot of reading matter

To comply with the law, a builder really needs more than the 70-page "Safety and Health Regulations for Construction," which is issued by the Labor Department. For starters, he needs the Department's 248-page "Occupational Safety and Health Standards," plus the two NFPA pamphlets cited above—and hundreds of other pamphlets.

When OSHA became the law of the land, it blanketed into its code a long list of guidelines drawn up earlier by private organizations like NFPA and the American National Standards Institute, and by some government agencies. For example, the list includes:

- "Standards for Protection Against Radiation (10 CFR Part 20)," published by the Atomic Energy Commission.
- "Threshold Limit Values of Airborne Radiation Contaminants for 1970" of the American Conference of Governmental Industrial Hygienists.
- "Z89.1-1969, Safety Requirements for Industrial Head Protection," drawn up by the American National Standards Institute.

The list could go on and on.

Sen. Carl T. Curtis (R.-Neb.) is sharply critical of the blanketing. He save:

"The Act Congress passed, in effect, made these rules the law of the land without a prior specific review ... to see what they do, how they should be applied, or whether or not they are adequate."

Sen, Curtis has introduced one of a number of bills now on Capitol Hill to modify OSHA. Among other things, his would exempt businesses with 25 or fewer employees from the

A similar bill has been introduced in the House by Rep. Joe Skubitz (R.-Kans.).

The Associated General Contractors gives some idea of the size of the thicket of guidelines, standards and cross-references.

"To get all he needs to be fully informed," an AGC spokesman says, "a building contractor would have to spend about \$6,000. And he'd wind up with a stack of documents 17 feet high."

Obviously, few if any builders are familiar with all these binding regulations.

"I think it's true to say they are so complicated and lengthy," says the safety director of a large Eastern construction firm, "that you can find a violation of them on almost any job."

The Occupational Safety and Health Administration's own statistics bear him out. In the first nine months of this fiscal year, its inspectors visited 20,688 places of business. Nearly eight out of 10 were found in violation of the safety law.

Battle of the boatyard

The inspector's word is final—unless the alleged lawbreaker requests a formal hearing. Few win the appeal. One who did was a West Coast boatyard owner.

Arsene (Blackie) Gadarian has been in the business, at Newport Beach, Calif., a dozen years.

He says his firm, Blackie's Boat Yard, Inc., is "a mom and pop operation."

Actually, it's a little bigger than that—he and his wife have a half-dozen employees. But it's pint-sized, as boatyards go—the smallest of six in Newport Beach.

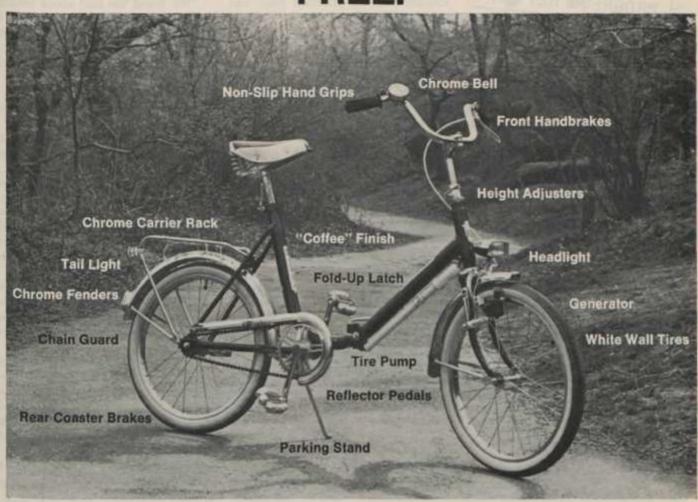
Mostly, it overhauls yachts owned by wealthy residents of the seaside spa.

So the proprietor was quite surprised last fall when a federal inspector drove up, put on a hard hat and began to tour the yard.

Blackie felt he hardly rated this personal attention from Washington.

The inspector strolled down the pier to a small boat under repair not far from shore. He pointed to a worker

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PROGRESS REPORT=

MARCH WAS A RECORD shattering month for the announcement of new and expanded industries in Mississippi. More than 2,000 new jobs will add millions of dollars to the state's economy.

BUILDING COSTS OF THE new facilities also are expected to amount to several million dollars. Three plants in the Jackson area, for example, have announced new buildings, or additions, costing \$1 million. A new mobile home manufacturing plant in Meridian will be a \$1.5 million structure.

NEW INDUSTRY includes, MITCHELL MANUFACTURING CO., Booneville, apparel; CRYSTAL SPRINGS SHIRT CO., Crystal Springs; TRANIN EGG PRODUCTS, Jackson, egg drying; AKIN MOBILE HOME MANUFACTURING, Meridian, mobile homes; BENCHMARK CO., Okolona, living room and den furniture; PELAHATCHIE EGG CO., Pelahatchie, egg processing.

EXPANDED INDUSTRY includes, AMERICAN PACKING CO., Booneville, package meats: BLUE BELL, INC., Booneville, sportswear; COOPER TIRE AND RUBBER CO., Clarksdale, passenger tires; HOWELL STEEL CO., Clinton, metal fabrication; GULF PLASTICS, Jackson, plastic extrusion; JACKSON PACK-ING CO., Jackson, meat processing; MITCHELL METAL PRODUCTS, Kosciusko, pipe fittings and venting systems; SAND-ERS LUMBER CO., Meridian; H & R STEEL CO., Meridian; ASTRO-LOUNGER FURNI-TURE MANUFACTURING CO., Okolona, furniture; DEVILLE FURNITURE CO., Pontotoc, upholstered furniture; MISSISSIPPI LAMINATORS, Shubuta.

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-William L. Waller, Governor

Where the Safety Law Goes Haywire continued

crouched in the cramped bilge and asked. "Why doesn't he have a life jacket on?"

"Because," Blackie replied, "he couldn't move if he did."

"What would be do," the inspector persisted, "if he fell into the water?"

"He'd stand up," Blackie said.
"The water's only two or three feet deep there."

The inspector went on inspecting.

A \$1,000 fine?

A few weeks later, the Gadarians were notified they had violated OSHA regulations—Section 1501 84. (c) (4). Offenders are subject to fines of up to \$1,000.

"They said the rules were that we had to have a ladder nailed to that dock," Mrs. Gadarian says, "so an employee could climb out of the water if he fell into it.

"We wanted to comply with safety standards, and we always have. We have a good safety record. Our workmen's compensation inspector has testified to it.

"But we didn't know what the OSHA regulations were.

"We asked the OSHA inspector for a copy. He said he didn't have one on him. We asked the local area office. The director said he didn't have one for us—but was working night and day to get some out.

"So we denied the violation, and asked for a hearing, partly in hope of getting a copy of the law we were accused of breaking."

After the Gadarians said they'd fight, the occupation safety agency proposed a penalty of \$16—eventually reduced to \$15.

Two weeks later, a 248-page document arrived covering—among other things—safety regulations for ship repairing, shipbuilding, breaking up of ships and longshoring.

"We read practically everything in it," Mrs. Gadarian says. "But it said nothing about ladders on the dock."

The Gadarians again asked the OSHA agency office for a copy of the regulation they allegedly had violated.

"About a month after we were cited," Blackie says, "it arrived." It was a 48-page booklet, a supplement to the 248-page publication they received earlier. "We found the part about ladders in that," Mrs. Gadarian says. "But it said nothing about one being nailed to the dock. Only that you had to have one near the boat under repair."

The full majesty of OSHA

Last November, the OSHA hearing was held.

"They rented a meeting room at the Newporter Inn," says Mrs. Gadarian, "a very posh hotel."

President Nixon often uses it for press conferences and other meetings. It's about 20 miles from the West Coast White House at San Clemente. Japan's Premier Sato stayed there when he met with the President before Mr. Nixon went to Peking.

Seven federal officials were on hand for the hearing, which took four hours. As the Gadarians pointed out, all the OSHA regulation stipulated was that:

"In the vicinity of each vessel afloat in which work is being performed there shall be at least one portable or permanent ladder of sufficient length to assist employees to reach safety in the event they fall into the water."

The Gadarians said they had a ladder "in the vicinity" of the boat being repaired, and produced witnesses.

The OSHA inspector contradicted them. The closest ladder, he said, was 400 feet away.

The Gadarians showed that the boat yard was only 200 feet long, including their 66-foot dock. The Occupational Safety and Health Review Commission ruled for the Gadarians.

So they didn't have to pay the \$15. Why did the Gadarians fight a fine the size of a parking penalty?

"That's what a lot of people ask," Blackie says.

"They figure, if all it takes is 15 bucks to get them off your back, let's pay it. But I don't feel that way, if I'm not in the wrong.

"Besides, what about the next time?"

Mrs. Gadarian has carefully hoarded all the citations, summonses and reports, including the 19-page decision that dismissed the charges.

"Some day," she says, "I have to show them to my grandchildren so they can see how 1984 came early to our country."

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Help Us Reach & Rehabilitate HURRAH







DESSONS
OF
LEADERSHIP
PART LXXXV

Louis B. Lundborg of Bank of America

A gratifying career that just won't quit

More than a year ago, Louis B. Lundborg retired as chairman of the board of Bank of America. That's as high as anybody can go in his field, because Bank of America is the world's largest bank.

At 66, with plenty of companionship—he has a charming wife, a son who's a successful physician, and three grandsons—and with a string of saddle horses on a small farm to the north of San Francisco, almost anyone except Louis Lundborg would have really retired.

But not this big fellow with so much of the Swedish look he inherited from parents who immigrated to America from a rural area 120 miles south of Stockholm.

Louis Lundborg keeps right on working. He is one of those men who have to keep on doing things.

He still has an office in Bank of America's world headquarters in downtown San Francisco, and he's on the bank's board of directors as well as those of several other major companies. He runs a TV show on business and its problems, and he's a trustee of Pomona College, chairman of the board of trustees of the Huntington Library and a director of Stanford Research Institute.

There is variety in his past as well as in his present,

Before Mr. Lundborg, who was born in Billings, Mont., started a quick-paced climb through the Bank of America's upper ranks, he had been a research chemist and a bookkeeper, had held several positions with chambers of commerce including the National Chamber, and had served as vice president in charge of university development at Stanford University.

It would be too much to expect Louis Lundborg to sit still for very long, but a Nation's Business editor did manage to gentle him down long enough for this interview in his skyhigh office overlooking San Francisco's Telegraph and Russian hills.

Mr. Lundborg, you are a research chemist by training. That's a strange launching pad for a banker, isn't it?

Not necessarily. Bankers have to deal with all kinds of things and all kinds of people.

Many bankers here at Bank of America have varied backgrounds which actually provide a good foundation for their handling of problems.

Do you ever long for the time when you concentrated on the contents of a test tube?

Not really, because I have always been more at home with people than with test tubes. I wasn't really made for the chemistry field. At one time I wanted to be a doctor, but I never made it.

Being a banker is a gratifying career and I'm happy to have had it.

There have been some laughs back along the line. Years ago, when I was young, I was invited to speak at the annual meeting of the Mission Street Merchants' Association here in San Francisco.

I had done practically no public speaking and this was going to be a big occasion for me—and hopefully for my listeners.

But arrangements had been slightly misrepresented. It wasn't an annual meeting at all. It was a Christmas high jinks affair. Instead of a long banquet table and fancy food, there was a lot of wine in jugs.

By the time I was to give my speech the jugs were pretty well emp-

Lessons of Leadership: Louis B. Lundborg continued

ty, and nobody was feeling any pain.

I was sandwiched in to speak between two acrobats and a singing crow.

Nobody was going to listen to me so I used the occasion for practice, learning to tell a story, learning to relax in public. Actually, I was scared to death, but I wound up enjoying myself.

Things like that seem awfully bad at the time. But they evaporate as problems if you keep your head and don't worry about them.

Have you ever made a major banking decision or a personal investment and seen it go sour?

Oh, I've had some unfortunate investments but things of that sort aren't very tragic, anyway. You can recover.

Part of the reason such things don't stick in my mind is that I've never stewed over them for long. I've tried to get them behind me and get on to the next job.

I do have one friend who claims he has never made a mistake in his life. I think the biggest mistake is saying that.

I've made a jillion mistakes, but most of them—happily—have not been so tremendous that they wrecked anything. The trick is to space out the mistakes as far as you can.

What has been the best move you ever made?

Marrying my wife.

What particular thoughts do you have on how to lead people?

When I think back over leaders I have known or read about, they seem so different in personalities and characteristics, But you can't help wondering what common denominators there are. There obviously has to be some common denominator.

To me the essentials of leadership are: a clear sense of direction in knowing where you're going and enough confidence in yourself so that others will feel your confidence. This is important because people tend to trust and follow people who know where they're going.

Most leaders also are able to convey to their followers a feeling that they—the followers—can be a part of this movement.

Being able to convince people of a sense of participation is one of the high arts of leadership.

Tell us a bit about the "Lundborg Laws."

Well, I first laid them out in a speech at Boston University. And the points are things I do believe in very much.

First—"Multiply yourself." By this I mean that for any executive to reach great effectiveness he must delegate and involve a lot of other people in doing the things he might want to do, and delegate as far down the line as he can in order to give rising younger people opportunities to try their wings. In doing this he is multiplying himself.

Second—"Pick winners," Surround yourself with able people. Don't be afraid to pick people as subordinates who might even become a potential threat. In my own case I know that many things good that happened to me have been a consequence of the help of people under me, I have risen on their shoulders—I hope never on their necks.

Third—"Don't settle for second best." Be horrified by mediocrity. You can get good people or good performance. Never be willing to settle for anything but the best in performance.

Fourth—"Let them run." Give rising young people chances to show what they can do, to test themselves, to take chances even if they may fall on their faces.

Fifth—"Don't alibi." Everybody makes mistakes, everybody goofs once in a while. It's important to face up to these things, get them behind you and never make excuses. Be a man.

Sixth—"Be a clock watcher." Obviously I mean the opposite of the usual definition of that term. I mean be a manager of time. Plan the use of time and manage it because time is probably the most precious single thing a busy person has.

Seventh—"Don't be a deaf-mute."
God gives you one mouth and two
ears and you should use them in that
proportion. We need to talk to our
people, sure, but we need also to

listen to them. And we need to do more than just listen to their words, we need to listen to their music as well. By that, I mean listen and search for their meaning. We elders are so likely to do all of the talking, but we don't do much listening.

Eighth—"Keep your motor tuned and your oil changed." I mean, take care of your health, allow yourself some breathing space.

Mr. Lundborg, you're now a TV star in San Francisco and Los Angeles, aren't you?

A performer, but hardly a star-However, I do enjoy my brief part. It's on educational TV and my job is to moderate and ask tough questions of visitors from the business community and from visitors who are not so fond of business.

I ask the big public interest questions. I'm proud to say the business people have stood right up and answered. And by doing it, I think, they have gained a great deal of respect for business from the viewing audiences.

The original idea for the TV series was to get viewers more in touch with business.

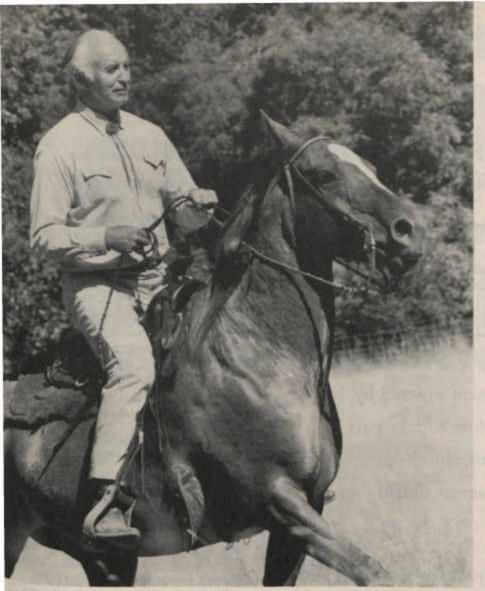
Why have so many Bank of America offices been bombed by militants?

The simple answer is, I don't know. But there doesn't seem to be a conspiracy, rather a contagion. Among the few people apprehended and asked why they did such a thing, there doesn't seem to be any common pattern.

A typical answer came from a 16year-old high school boy who threw bombs in two of our branches. When he was asked why he did it he said, "Well, all the other guys were doing it. I thought I would, too."

It was as mindless a thing as that. The first attack we suffered seemed to be almost an accident of circumstances that grew out of a mob development, a demonstration that got out of hand. It was part of the student and street people uprising, led by a handful of agitating types. Somebody began talking against the Establishment and they looked around for a symbol of the Establishment to strike down.

There we were. So they struck us.



retirement more than a year ago, has been the string of fine saddle horses on his farm near Sec. 5

Do you feel the period of intense racial and student discontent is behind us?

I hope the violence is behind us. I don't think the discontent has subsided at all.

During the period of violence there was also dissent and discontent, which was perfectly healthy. But dissent and discontent should not be expressed through violence, disruption, interference with other people's rights.

Racial and student problems are different things.

A great deal remains to be done to find the right course in racial areas and we will be working on that for a long time. I would hope that the apparent quiet would not lull any of us into feeling that just because things are quiet, the problems are solved.

I happen to be a believer, not in the melting pot theory so much, as in the mosaic theory. I have never thought it was necessary for people to be melted down into one single common denominator. But rather that people of striking differences should be able to live side by side whether their differences are in color, religion or nationality.

For them to live together and retain their differences would add great color to life. This was a more interesting country when immigration was still a new thing and differences between peoples were more evident.

It is very important that different peoples have equal opportunities to develop their own potentials-economically, culturally and socially. That hasn't always been our pattern and we have a great deal to learn about it.

Are corporations being pressured to hire ill-trained workers?

Business in San Francisco has not been forced to do this. But business has been under a good deal of social pressure to cooperate in programs to train ill-trained and incompetent people, and then to give them jobs

There have been isolated instances of people wanting us to hire-regardless of ability—on a quota basis. But this has not been effective pressure on us.

Our experience in training and then hiring people has been encouraging. We felt it was a good way of upgrading the competence of great masses of people who formerly had not been prepared to compete in the employment market.

If you want to reduce it to selfinterest terms there is no market among people who are not economically productive. Whether you are doing it from a humanitarian or the most utilitarian point, it seems desirable to raise the levels of competence of everybody in our society.

What about consumerism?

There's nothing new about consumerism. The term is a new one, but it's just a term to describe something that's been going on all my life such things as the weights and measures law, pure food laws.

Consumerism is nothing more than substituting for the old law of caveat emptor: "Let the buyer beware." It's just simply buyers collectively saying they will beware together.

And that's a perfectly proper thing. Consumers have every right, singly or collectively, to insist on recognizable standards, so that they can rely on what is offered to them. As fast as new things are offered to people, and there are new conditions under which they are offered, consumers will express themselves as to what they want in those things.

But, consumers can't take command of production or management. Management has to be organized and administered in a rational way, and cannot be interfered with by

Have

AGELESS WORDS

"The punishment suffered by the wise who refuse to take part in the government, is to live under the government of bad men."

PLATO

Learn more about the political process and how legislative decisions on the local, state and national levels affect your future. A good place to begin acquiring this wisdom is at your chamber of commerce.

Pete Progress speaking for your chamber of commerce

Louis B. Lundborg

ontinued

people who simply are looking over the shoulder of management.

And the environmentalist?

The environmentalist is of a different group, but a related one.

Again, it's a matter of people collectively deciding what kind of a world they want, what prices they are willing to pay for the preservation of certain values or to avoid the destruction of their environment. Are they willing to pay for certain other developments, whether they be highways, buildings or goods?

Do you foresee the time when corporations by law will have to dispense certain percentages of net income to stockholders and will not be allowed to decide for themselves how much?

No. I think this is going to be decided, as always, by the market.

Why do so many corporations seem to have poor public images?

The time burdens on each level of management are so tremendous that there is a tendency for each man in management to do the thing that he has to do today without thinking of the impact on the public interest. This is the universal thing. This doesn't excuse it at all.

There's another element: It's not always easy to get the public to listen. And there are companies—fewer of them today than previously—that haven't even decided it's important to consider the public.

What organizational forms should business take in the future?

It could take many forms, I would expect that there will be experimenting, trial and error, testing of many forms of organizations.

The pyramid is being questioned having everyone report up to the one single, small hierarchy at the top. This has made people at the bottom remote from the people at the top. And it has required going through many levels in order to get decisions. It has frustrated many creative young people trying to push their way up. They have had to fight their decisions through so many levels to get action that they have been inclined to say, "To hell with it."

The converse is to widen and

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Who is this man?



Why is his restaurant at 5900 Wilshire?

He is Jerry Magnin. And he is opening a spectacular new restaurant at 5900 Wilshire. And that he does very well. Example: The famed Chianti Restaurant in Hollywood in which he has a major interest.

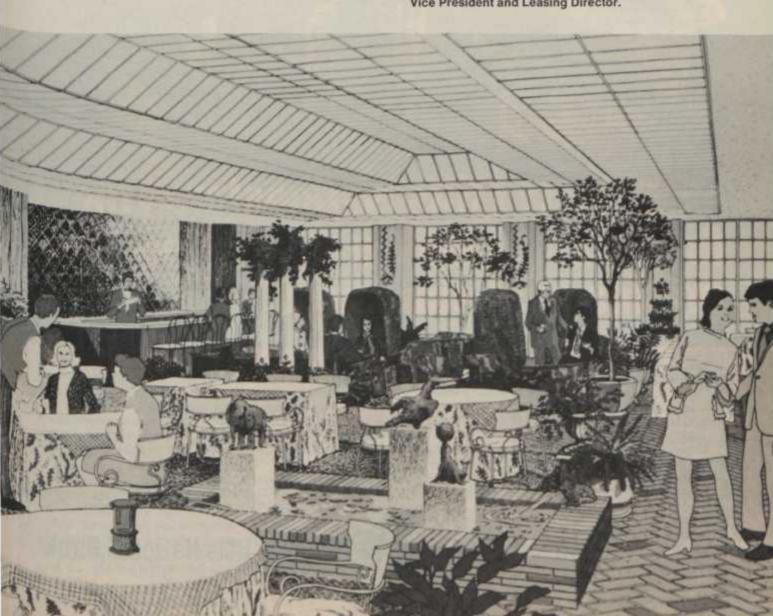
Why did he select 5900? Simple. He wanted a location that would reflect the tone and atmosphere of what promises to be one of the city's finest eating pavilions—The Greenhouse. The open space around 5900 Wilshire allows softly filtered light through the conservatory-like roof onto the reflecting pools and living plants that go to make up the quiet elegance of The Greenhouse. Adjacent will be The Potting Shed, serving breakfast and lunch in less formal surroundings. And in the same complex, an executive dining room decorated with choice antiques.

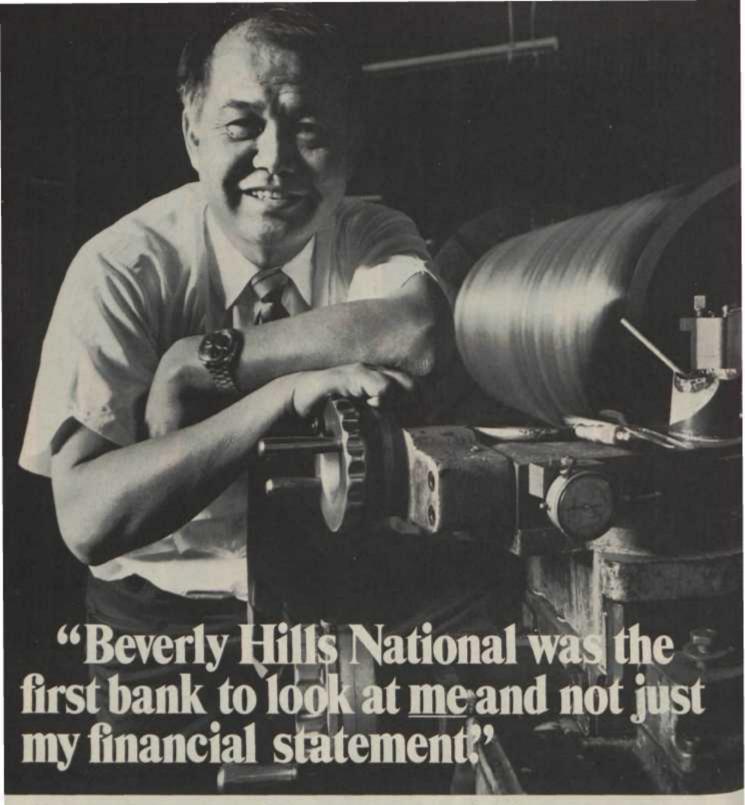
Jerry Magnin's restaurant complex is one more reason why 5900 Wilshire is the most distinguished building on the Boulevard. And just one of the many advantages enjoyed by its prosperous and successful tenants.

Created and financed by Mutual Benefit Life and Walter H. Shorenstein, it is run as a "headquarters" building. But it is also the local headquarters of many other distinguished businesses: Doyle Dane Bernbach, N. W. Ayer/Jorgensen/Macdonald, Inc., General Motors, Carson-Roberts and The Brazilian Consulate, to name a few.

You should experience this strong, efficient and frankly sleek building.

Leasing agent: Milton Meyer & Company. Call (213) 937-6550, ask for Mr. Stephen C. Del Pero, Vice President and Leasing Director.





That's what Jem Lew says when anyone asks him how he got Blue Chip Manufacturing in the chips.

Like a lot of businessmen, Jem had been hir hard by the business slump. He even had to lay off nearly 40% of his people. He didn't give up, though. He went out and rustled up some government contracts.

Then he tried to get some money to fulfill his contracts. And 5 banks turned him down.

But not Beverly Hills National Bank.

We took the time to go out and see Jem Lew's Gardena plant. And we liked what we saw.

Beverly Hills National Bank helped with cash and financial counseling. But for the first couple of months, Jem was still losing money. So we helped some more. And then Blue Chip Manufacturing started to live up to its name. It hasn't stopped growing since.

Jem Lew was helped by "full dimensional" banking. It involves knowing all about a company in order to find the most efficient, economical type of financial help.

Not everyone can qualify for it, but if you can convince the financially creative guys at Beverly Hills National that your company is special, we'll do our best to make sure it stays that way.

We've got 3 locations: the main office, 9600 Santa Monica Blvd., Beverly Hills, CA. 90210, (213) 273-3131, and the Wilshire office at Wilshire and Doheny. In Brentwood, we're on Barrington Place near Sunser.



shorten the structure, to eliminate levels and give more autonomy to more units in a broader, more horizontal structure which gives more dynamism. But this does complicate the problem of control.

We already have the semi-autonomous division, the subsidiary corporation, semi-autonomous units. These give control and freedom of action.

Some people think of GM, Bank of America, AT&T and other business giants as public corporations. Are they?

Of course they are public corporations,

The telephone company virtually from the beginning has been recognized as public to the extent that it is highly publicly regulated.

Anytime a company employs tens of thousands of people and serves many times that many people across the country, it takes on a public character.

I grew up on the term "free enterprise," but we don't seem to hear that anymore. We don't even hear "private enterprise" so much.

Some people might view that change with great alarm but it isn't necessarily all bad, because enterprise was never completely free. It wasn't free to do anything that it wanted to do, regardless of the consequences. It always had to operate within a framework of law.

That doesn't mean that it has to be publicly owned or be hamstrung by public regulations, but it can never be free from public franchise,

What do you think of the zero population growth movement?

It has to be taken seriously. The people pushing it are serious, and for good reason. If we simply extended without limit our past rates of population growth, we would reach a point where neither space, nor natural resources, nor places to enjoy would remain on earth.

Zero population growth runs counter to many things we have all taken for granted in our investment policies and business projections.

We have built on a factor of growth. To reverse this might seem devastating. But it could happen and we had better prepare to deal with a world that isn't necessarily predicated on growth.

There are other things in the world besides growth. There are such things as quality.

What do you think are the main causes for the U.S. decline in world esteem?

We haven't slid to as low a point as we sometimes think we have. But without question, we are not on the pinnacle we were on for a while, and I think that the very fact of our having been on the pinnacle is part of the reason. There are other reasons.

After World War II we were in a very unnatural position. We were the surviving, undamaged, prospering country. We were in a position to help everybody.

And it's an interesting, ironic fact of life that gratitude often begets resentment. People who are helped begin to resent the helper because it's a reminder of their own inadequacy. People, unquestionably, resented our opulence and our power.

Relatively, have we slid, or have others surpassed us?

We did set about to reconstruct the economies of the world and we built up other economies so that, relatively, we no longer could be on the pinnacle. Others rose to near equality with us. And one after another, other countries caught up with us or passed us in one respect or another.

Now, there is one other element I'm not so happy about.

Without any question, the way we have handled ourselves in the Viet Nam War has done great harm to our image around the world. It has damaged our own sense of internal confidence in leadership. It has left our people divided and bewildered. When that happens, you have very unhappy people.

REPRINTS of "Lessons of Leadership: Part LXXXV—Louis B. Lundborg of Bank of America" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

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Bills That
Could Cost You
Billions

A huge pile of legislation affecting business is pending in Congress and it carries a potential price tag of billions.

The result could be lower profits, higher prices to consumers—or both.

Consider just two proposals receiving serious consideration: A sharp increase in present payroll taxes to finance higher Social Security benefits, and a new tax on total payroll to underwrite a national health insurance plan.

For a single company, such as U.S. Steel, the annual cost could be close to \$100 million.

Other firms of all sizes would also feel the squeeze.

A crucial problem is the fact that the total business impact of all legislation is not considered at any point in the legislative process. Each bill moves on its own track.

Thus, one committee might propose a measure calling for an increase in payroll taxes; a second might report out a higher minimum wage; a third, major new outlays for antipollution equipment, and still another, programs that require higher general taxes.

This failure to consider the overall effect on business of all those individual bills deeply concerns executives, as reflected in a NATION'S BUSINESS survey of representative companies and organizations.

"The big thing that worries us," says a U.S. Steel Corp. official, "is that we are in a very high-cost industry that is very competitive.

"We don't know how much you can keep piling on in the way of adding to those costs. You're going to reach the point where it's not possible, for competitive reasons, to raise prices.

"This is a terribly important issue. This country needs a strong steel industry. We should make public policy in terms of whether it is good for the nation."

U.S. Steel has 184,000 employees, 10 divisions, 20 major subsidiaries. Last year, when its sales totaled nearly \$5 billion, its employment costs alone were \$2.2 billion, including \$88 million for Social Security taxes and \$62 million in pension fund contributions.

So it's no wonder officials are keeping a close watch on Congressional bills that would sharply escalate payroll taxes and impose federal standards on private pension funds, along with many other measures that would have a far-reaching effect on the steel industry.

Hard on a hardware store

Concern about government costs is no less real for Walter Martin, who has 18 employees at Martin's Ace Hardware store in the Zane Shopping Plaza, Zanesville, Ohio. (The city has a double claim to fame as the birth-place of author Zane Gray and the site of the world's only Y-shaped highway bridge.)

Mr. Martin is particularly concerned about proposed minimum wage and payroll tax increases, and the massive and still-growing paper



Legislation now before Congress could pile up expenses for your business, whether it's U.S. Steel Corp. or Martin's Ace Hardware in Zanesville, Ohio

work that the federal government forces on businessmen.

"How are you going to pay a young kid \$2 or \$2.20 an hour?" he asks. "An average boy needs six months' training before he is any good use to you whatsoever and a good year before he's really trained."

Several of his employees are youngsters still living at home with parents, Mr. Martin points out, "but people talking about the minimum wage seem to think that every worker is supporting a family.

"It's been my policy not to lay off people, even in the dull season, but if the minimum wage keeps going up we're going to have to cut down on help."

Paper work required by the federal government became so burdensome that he had to hire outside help, and he's worried about more increases in Social Security, workmen's compensation and unemployment compensation tax rates.

"Any increase in payroll taxes is going to hurt us," Mr. Martin explains. "We just have to try to absorb higher costs as best we can. Raising prices would lose us customers."

While various businesses like U.S. Steel and Martin's Hardware have their particular concerns, the list of all legislation with a potential for an adverse effect on business is a formidable one. Some of the major bills now in Congress:

 A single Administration-backed measure under which Social Security payroll taxes paid by employers would be increased a whopping 66 per cent over the next five years to finance higher benefits, and which would set up a guaranteed-income plan in a reshaping of welfare laws.

- Health-care plans, some of them calling for payroll-tax increases beyond the 66 per cent already cited. One—the Kennedy-Griffiths bill—calls for a 3½ per cent tax on total payroll to be paid by employers. In addition, employees would pay 1 per cent of their wages and substantial amounts would come from general revenues.
- Minimum wage increases—to \$2 an hour in one bill and \$2.20 in another—plus extension of minimum wage coverage to many groups not now under it. Payroll taxes would be affected accordingly where wages were raised from the present \$1.60 minimum.
- Antipollution requirements, including one that would set a cutoff at the end of 1984 for discharge of any pollutant into the nation's waterways a goal the Administration estimates it would take \$300 billion to reach.

Most of that amount would be paid by business either through direct outlays for equipment or in taxes to finance government antipollution spending. Other measures would set a tax on sulfur emissions from smokestacks, ban one-way containers for beer and soft drinks and provide for a packaging tax on the basis of the container's "disposability."

· Consumer protection measures

ranging from one that would impose government standards on billing practices to one that would establish a powerful new federal agency with broad powers which—it's feared would be used to harass legitimate businessmen.

- The Burke-Hartke bill, which would discourage American companies from investing abroad and would set up a protectionism policy to check the flow of imports into this country—a plan that critics say would not really help industries faced with stiff foreign competition but would eliminate jobs in American plants shipping to overseas affiliates.
- Measures which would invoke federal standards on vesting and portability for private pension funds, with resulting sharp increases in the management contributions to those funds.
- A proposal to extend government intervention still deeper into agriculture by forcing food processors and wholesalers to deal with bargaining organizations of producers.
- Measures to set up new social programs, such as a child-care plan costing billions, at the same time that federal government deficits carry a serious risk of touching off a new round of rapid inflation.

Peterson on Burke-Hartke

Secretary of Commerce Peter G. Peterson is particularly concerned about the potential effects on business of the Burke-Hartke bill.

That bill, the Secretary told

Bills That Could Cost You Billions continued

NATION'S BUSINESS, proposes "the wrong remedies" for the competitive problems facing the United States in foreign trade.

"In fact," he said, "these remedies were tried and proved inadequate in the 1930s. Economic isolationism and economic nationalism were inappropriate then-today they may be self-defeating as well."

America's major trading partners would see their exports to this country cut drastically under Burke-Hartke, the Secretary explained, and most likely would retaliate against U.S. goods they now buy. For Japan, Canada and the Common Market, the cuts would be 37, 30 and 25 per cent, respectively.

"If a shock of the same proportion hit the U.S. economy an additional one million American workers would be thrown onto the jobless rolls," Secretary Peterson said. "Clearly, the political repercussions of a jump of this magnitude would force us into retaliation. Would other nations react differently? I think not. Furthermore, it is a good bet that their retaliation would be carefully aimed at some of our best export items."

Virtually every one of the major pending bills would also pose problems for business through direct added costs or through intensifying the pressures for higher general taxes to finance new or expanded social programs.

Don A. Goodall, Washington representative for American Cyanamid Co., noted that it had 1971 earnings of \$94 million on sales of \$1.28 billion, and said it couldn't absorb "this whole raft of new costs" out of earnings.

Pointing to files of the many bills he watches for his company, Mr. Goodall discussed the potential impact some of them would have.

What future for a suture?

He cited the case of the synthetic suture, for example. Cyanamid's Lederle Laboratories developed, over 10 years at a cost of millions of dollars, a suture that would be absorbed by the body-allowing its use in internal surgery. It took 16 months to get approval for marketing from the Food and Drug Administration.

What would have happened, Mr.

Goodall asked, if the proposed Consumer Protection Agency had been superimposed on the 33 existing agencies which have consumer responsibilities?

"It could have gotten into the act and might have been second-guessing the FDA," he said. "Maybe it would have taken 32 months to get approval. Or maybe we would never have ments and new equipment are the lifeblood that keeps a company viable."

One major business problem in Washington, Mr. Goodall said, is that many members of Congress are so hard-pressed for time that much of the detail work on bills falls on "idealistic young attorneys with no practical experience, no business



Asked for his views on pending business legislation, Secretary of Commerce Peter G. Peterson expressed particular concern about the Burke-Hartke bill to curb imports into this country. Other nations would be apt to retaliate, he said, and "it is a good bet that their retaliation would be aimed at some of our best export items."

gotten it, and patients would never have had the advantage of that suture."

On pollution, he said: "We recognize that the American people can have anything they want in the way of pollution control. But we have to tell the truth-that if they expect to be able to dip a cup into the Potomac River and drink the water, it's going to cost some money. And the money isn't going to come out of what labor likes to call the 'swollen profits' of business. In all fairness, the people who are advocating excessive pollution controls should tell their constituents it is they who are going to have to pay for them."

It would cost Cyanamid \$750 million over 10 years to meet the proposed requirement for ending discharge of all pollution into waterways by 1985, Mr. Goodall said. As for payroll tax proposals, he said they would have "an obvious impact" on a company with 37,000 employees.

"You can't absorb these costs," he said. "You have to pass them on. If all these thing pile up, something has to give. If it's earnings, then you don't attract investors, you don't get loans for new plants. And invest-

background, often with an actual anti-business bias."

A leader in an entirely different business-retailing-also sees a need for greater government understanding of day-to-day problems that businessmen face.

What's in store for stores?

Joel Goldberg, president of Rich's Inc., an Atlanta, Ga., department store chain, said that before taking actions which affect retailing, Congress or government agencies should "give us an audience, discuss any plans they have for us, and talk it out-instead of us being the target and making us challenge them after the fact."

He cited wage and price controls as "a perfect example" of how government can get onto an erratic course, "telling us today how something should be done, and telling us tomorrow to do it a different way.

"It just adds to the expense when you have to throw out what you did vesterday and then put in a new system and hope it's going to last for another week before you're told to change it again."

Mr. Goldberg is a believer in the

voluntary approach to consumerism. He noted with pride that "we have one of the most liberal exchange policies in the country. If every business had it, there wouldn't be any consumer problem."

Rich's, which began as a small dry goods shop 105 years ago, today has 12 stores throughout metropolitan Atlanta, with 10,000 employees and sales of \$230 million last year.

For businessmen concerned about grappling with ever-increasing government demands for more paper work, there may be a glimmer of relief in the works.

Bad form on forms

Sen. Thomas J. McIntyre (D.-N.H.), chairman of the government regulations subcommittee of the Select Senate Committee on Small Business, has opened hearings on what he calls "federal form pollution."

He estimates that 41/2 million cubic feet of government forms go out every year to be filled in and returned.

"It costs \$18 billion a year to print, peruse and store that 41/2 million cubic feet of paper," the Senator said, in announcing the hearings.

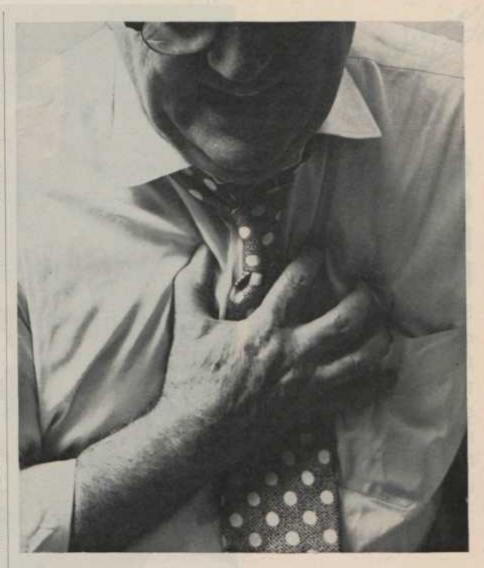
"And it costs businessmen another \$18 billion a year to fill those forms out and return them. That kind of expense could put some men out of business. It discourages others from hiring additional help. It robs still others of the time and money they need to develop and expand. And it encourages business to pass on to consumers the expense involved in coping with those forms."

The subcommittee's hearings are aimed at finding ways to cut down on complexity, waste and even outright duplication in forms sent by different federal agencies to the same business-

But veteran businessmen might be somewhat skeptical about gaining any real relief.

After all, there's already a law declaring that reporting requirements should impose no more than "a minimum burden upon business enterprise" and that all duplication of effort "be eliminated as rapidly as possible."

That law was passed in 1942. END



Heart Attack?

The symptoms vary, but these are the usual warning signs of heart attack:

- · Prolonged heavy pressure or squeezing pain in the center of the chest, behind the breastbone.
- Pain may spread to the shoulder, arm, neck or jaw.
- · Pain or discomfort is often accompanied by sweating. Nausea, vomiting or shortness of breath may also occur.

WHAT TO DO

- 1. Act at once. Call your doctor and describe your symptoms.
- 2. If a doctor is not available, get to a hospital emergency room immediately.
- 3. The responsibility to act is not only the patient's but the wife's, husband's, relative's or friends as well.

Your Heart Fund Gifts help to speed life-saving advances in coronary care.



Careers Could Ride on Brain Waves

Scientists are measuring personality traits through a technique which someday may be applied to hirings, firings, promotions and demotions

BRISTOL, England—One day not too many years from now, you may have an electroencephalograph made on a candidate for a highly ranked job with your company. And from that "EEG" you may be able to find out if he.

- Is a decision-maker.
- Is enough of a risk-taker, yet not too aggressive, to seize opportunities to push ahead with the company.
- · Is a "visual" or "abstract" thinker.
- Has too much, or too little, anxiety.
- · Can anticipate problems.
- Reacts quickly to changing situations and altered orders.
- Has adequate powers of concentration.

Even now, indications of such traits are vaguely discernible through EEG's because of tedious work which is moving steadily forward here at the Burden Neurological Institute.



Dr. Ray Cooper gives instructions to an earphone-wearing subject as an EEG is made. Nerve responses are transmitted through electrodes attached to the head, and are flashed on the TV screen as zigzag lines.

Madricular Howl





A person's reactions or lack of reactions to pictures, line patterns or numbers sequences that change quickly can, in theory, tell much about his abilities.

In eight or 10 years, clearer indications should be available for executives who want to know everything possible about personnel before deciding whom to promote, demote, hire or fire.

Dr. Ray Cooper, scientific director of Burden, says a multinational team of scientists that he heads is not yet prepared to take an EEG and tell from its 16 squiggly lines if a person has the attributes of a good manager or ordinary employee.

"But, we are learning to tell a great deal about a person by measuring with an EEG the electrical activities in his head," Dr. Cooper says. "We don't necessarily know what is going on in the brain, but we can record much of the brain's activities. We are learning to evaluate the person's evoked responses."

Dr. Cooper's team, which has done research on EEG's taken on hundreds of men and women in the past decade, at this point needs definitions from businessmen and psychologists of what good employee personalities should be like. They then could judge EEG results against the definitions.

Eavesdropping on the brain

An EEG involves attaching electrodes to a person's head with tape, and having him lie quietly on a couch and perform simple acts such as raising his hand when sequences of odd numbers on a nearby screen are broken by even numbers, or ringing a buzzer when noises are made.

Electrodes pick up the brain waves connected with these acts and a record is printed on paper in the form of zigzag and wavy lines. Tiny pulses coming from brain cells are measured in microvolts—millionths of a volt.

The machines are so sensitive that

the batting of an eyelid can send the needles which draw graphs into a wild frenzy.

By hooking up special models of EEG machines with computers given to it by the W. Clement and Jessie V. Stone Foundation of Chicago, Burden has been able to collect and evaluate vast amounts of information about thought processes.

Eventually, much more information will be available through further studies of "evoked responses."

In one such study, a person tested is told lights will be flashed, or numbers thrown on a screen, at fixed intervals—say every three seconds. The EEG machine then measures the brain's electrical activities at the moment the lights flash or the numbers come up.

From the resulting graph a scientist can actually watch indications of increasing brain activities as it be-

Careers Could Ride on Brain Waves continued

comes time for the numbers or lights to appear. The buildup in electrical activity tells a story of the person's ability and mental control as he prepares for the next round of lights or numbers.

Another study gives insights into a person's ability to make decisions, and gauges reactions as well as concentration, vigilance and even anxiety.

Numbers are put up in sequences in a recognizable pattern. Suddenly the pattern is distorted by what Dr. Cooper calls a "distractive situation."

A distorting color is thrown in, or the number sequence is broken—one that starts "2-4-6-8-10-12" may have a "13-19" thrown in before it gets to "14-16"—or a noise may be made to distract the person tested.

He is then supposed to hit a buzzer. Not only is the time it takes for him to react measured, but also the electrical activity in his brain which results in the buzzer being hit.

He has been told that "distractive material" will be injected, so how he anticipates it can also be measured and recorded on his EEG chart.

This is shown on his "expectancy wave," called more technically the "contingent negative variation," or CNV. Good business minds, it is believed, must be able to maintain a strong expectancy wave which does not zig and zag too much.

But there should be some zigzagging. In a typical case, the expectancy wave might stay at 20 microvolts. If it does, the person tested would not be responding enough to a difficult and changing situation. This means he might be too inflexible or too unaware. Ideally, the wave should go down to about 10 microvolts.

In very general terms, the size and contours of the dips drawn by the pens making the EEG graph tell the story. Brain impulses motivate the pens. The more erratic the dips and contours, the deeper the valleys and higher the peaks, the more drastic is the brain's electrical activity.

Aggression and obsession

Electrodes fastened to the back of the scalp feed electrical current for lines drawn at the bottom of EEG graphs. It is the rear of the head, called the "occipital region," that is most closely studied for information on aggressiveness.

Of course, this information must be correlated with other information coming from other parts of the head, but the squiggly lines from the back tell Dr. Cooper and his associates that certain people are more aggressive than others, that one person is a "risk-taker" and another person isn't.

"The French have done some work on this," Dr. Cooper says. "They tested fleet air arm pilots and found that risk-takers—and I'd agree that you have to take risks in that line of work—tend to have some of the same activities in the back of the head that people known to be aggressive have."

Dr. Cooper reports extreme aggressiveness can be spotted on the EEG graph, but slight degrees of aggressiveness are thus far more difficult to determine. He feels—and many executives would agree with him—that it is the job candidate with some aggressiveness, but not too much, who is desirable in business.

"Later, with improved techniques and better standards, we may be able to judge the degree of aggressiveness in more ordinary, normal people than out-and-out belligerents, auto racers, fighter pilots or delinquents," Dr. Cooper says.

"In the meantime we are able to see some signs on graphs of characteristics of obsessive people. Here again, in business some obsession is desirable. You want a person somewhat obsessed with doing his job well, obsessed somewhat with the idea that the company is a great one. But you don't want too much obsession.

"Certain jobs call for more obsessiveness than others. Computer programmers must be obsessed with getting perfect information into their machines. Retailers must be somewhat obsessive in getting things sold and having them displayed perfectly.

"Obsessiveness is cousin of determination if it is under control. A person's obsessiveness isn't under control if he pursues a failing policy right out of the window."

Dr. Cooper, Dr. W.C. McCallum and Dr. H.J. Crow are working closely to detect signs on EEG graphs of how vigilant a person is, and they believe they are making progress. Dr. McCallum, a British psychologist, is on a 10-year fellowship funded by the Stone Foundation, and Dr. Crow, another Briton, is clinical director for the Burden Institute as well as one of England's leading authorities on neuropsychiatry.

A major study going on just now which is of great interest to businessmen concerns the effects of diet, hunger, low blood sugar and tiredness on powers of concentration and vigilance.

In another area, a lack of high brain frequency tends to lead the doctors to believe the person tested may be immature. Apparently, your brain's electrical activities become fairly set after you are 25 or so, because EEG's taken later on the same person tend to tell the same story as earlier EEG's.

Dr. Cooper says EEG's of females are not noticeably different from those of males. However, he adds, extensive testing in West Africa showed EEG's of Africans have some different features than those of Europeans. He says he doesn't yet know if the differences have any significance.

Some have 'em, some don't

Especially close attention is being paid at Burden to the alpha waves which are constantly emitted from the brains of some people—some people do not have them—and which are easily detected with EEG's.

There is a correlation between alpha waves, or rhythms, and the way people think, Dr. Cooper says.

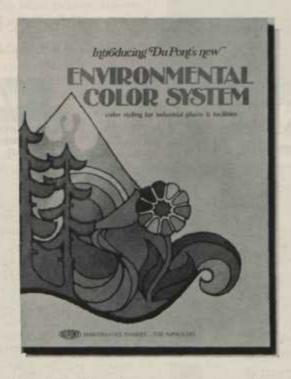
Some people visualize their thinking—that is, if they are told to go across the street and mail a letter they immediately visualize themselves walking across the street, stopping at the mailbox and dropping the letter in.

When these people describe their homes, they actually have a color picture of the homes inside their brains to work from.

A complete absence of alpha rhythms is characteristic of a visual thinker.

The presence of continuous alpha rhythms indicates the person is an abstract thinker.

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Abstract thinkers have difficulty forming mental pictures. They simply know you cross the street, find the mailbox and drop the letter in. They usually consider mathematical problems in abstract. Few see in their minds a picture of a piece of paper with "two times two equals four" written on it. They just know that two times two equals four.

Communication between visualizers and abstract thinkers is more difficult than between two people of the same kind. The ideal person, the researchers feel, would be someone who can do some of both types of thinking. Highly successful businessmen are believed capable of both.

Burden operates with funds left by the late Mrs. Harold Nelson Burden, of Bristol, England, and with additional funds supplied by the British National Health Service, the Stone Foundation and others. In the past, some money also came from the United States Air Force and the Guiness Iveagh Trust.

Total income for the entire operation is no more than about \$60,000 a year.

"We want to categorize people we test," Dr. Cooper says. "I wish we could get 50 top executives who have done very well in business, take their EEG's and then take the EEG's of 50 businessmen who didn't make it quite so well. I would like to compare the EEG's of the two groups. I think we eventually have to do something like that."

Dr. Cooper, a scientist whose specialty is the physics of measurement—minute measurement is involved in interpretation of EEG's is cautious in his evaluation of the work at Burden.

He says he feels EEG's can make great contributions to personnel selection, but he adds:

"Frankly, I wouldn't want this business with the EEG to go too far, because I think we should have a little bit of personal freedom to make our choices.

"I don't want us to go only by numbers or tests or graphs.

"And besides, I would hate to know everything of what people are thinking. That would not be agreeable. I hope we never go that far."

END

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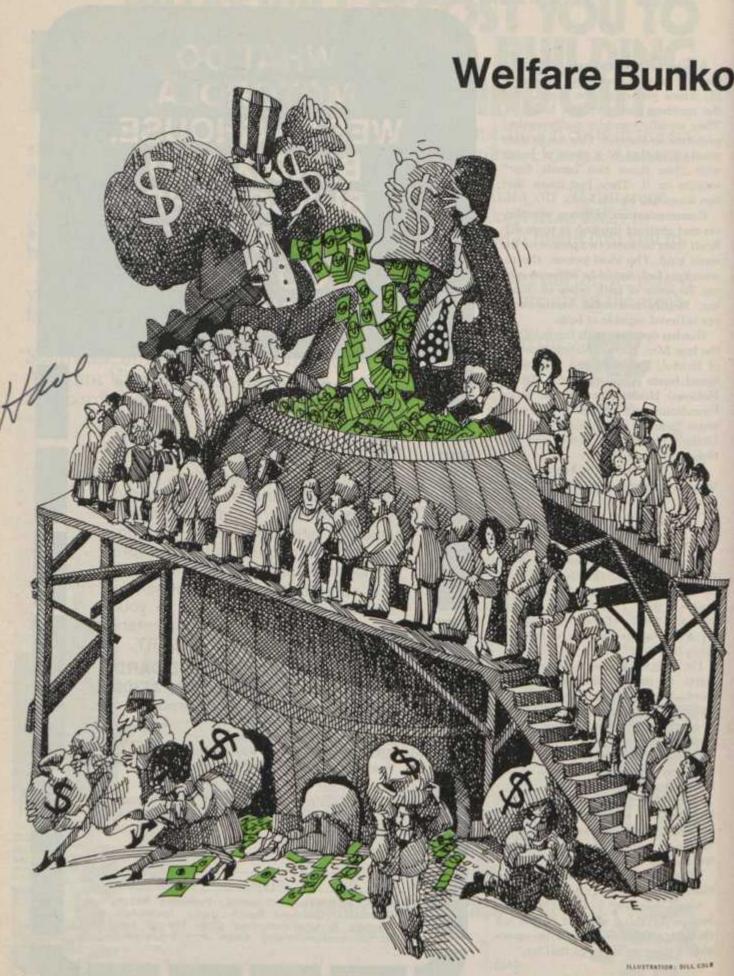
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It Robs the Needy

Fictitious names, fictitious addresses, fictitious children . . . the truth is, it's easy to obtain welfare checks by cheating, and many people do

In Reno, Nev., a young man was found holding down three jobs, one with the State Employment Service and two at gambling casinos.

This was perfectly all right except that he was also drawing a welfare check. He got away with it for a while by using three names and three Social Security numbers.

In New York City, where one out of every seven residents is on welfare, a woman who claimed her husband had deserted her collected \$5,663 in Aid to Dependent Children payments. The checks were cut off when it turned out she had a husband, living at home, who earned \$4.28 an hour and had just bought a new auto.

In Oakland, Calif., a mother was sending her son to a private boys' home at a cost of \$300 a month—just about the amount of her monthly welfare check. Meanwhile, she was earning \$14,000 a year as a full-time senior social worker in the same office that made out her welfare checks.

Investigators' files are filled with examples of such scheming, which siphons off millions of dollars intended solely to help the needy of America. Welfare fraud is rampant across the country.

In some states the estimate of ineligible people on welfare runs as high as 30 per cent.

The system invites cheating. Honest welfare officials are hampered by restrictive regulation and court decisions which sometimes make it virtually impossible to block fraudulent claims for assistance.

While the Nixon Administration pushes for a much broader welfare program, involving millions more people and billions more dollars, some veteran welfare observers are convinced that the chiseling and administrative laxity inherent in the present system not only will continue unchecked, but will increase.

"If the taxpayers of America knew that the welfare system was as shot full of holes as it is, and if they understood that the President's welfare expansion program does nothing to correct the glaring deficiencies in the system—but in fact makes them worse—I know they would not tolerate it," says Sen. Russell B. Long (D.-La.), chairman of the Senate Finance Committee.

The Senator, whose Committee has been going over the Nixon program with a fine-toothed comb, adds:

"I am . . . gravely concerned that the welfare system, as we know it today, is being manipulated and abused by malingerers, cheats and outright frauds to the detriment not only of the American taxpayers whose dollars support the program, but also to the detriment of the truly needy."

The Department of Health, Education and Welfare, which oversees the federal share of welfare, insists that fraud or misropresentation of need accounts for less than four tenths of 1 per cent of the total national welfare load. (Even that comes to almost \$71 million.) HEW does admit, however, that "honest mistakes" in administration add about \$500 million a year to welfare costs.

"Cheating" and telling

Almost anyone can be a welfare cheat with a little imagination.

The Colorado Springs (Colo.) Sun last November assigned one of its reporters, Peggy Schultz, to test that theory. She called at the local welfare office, gave a fictitious name and address, and said her husband had deserted her and their two children. An obliging social worker advised Miss Schultz she would start to receive monthly \$175 checks in about 10 days, solicitously promised Christmas presents for her nonchildren. and instructed her to drop in at a food stamp center. There, for 75 cents, she picked up \$42 worth of food stamps with no questions asked.

Miss Schultz' scheme should have been detected in a few days because the social worker told her to expect a visit from a welfare investigator to check her story. There was no visit. Instead, she got a letter advising her that her application had been approved, and the first check arrived.

"It was harder for us to stop the welfare checks than to get them in the first place," Sun City Editor Jerry Mosier told Nation's Business. His home address, by the way, appeared on the welfare application.

Sometimes these welfare nonchil-

Welfare Bunko: It Robs the Needy continued

dren come in droves. The larger the family, the larger the relief check.

Richard Smith, a welfare supervisor in Prince Georges County, Md., just outside Washington, D.C., was leafing through the applications which crossed his desk one afternoon and was struck by the unusual number of twins popping up.

Checking back over the previous week he found 12 different applications from women who had brought along what purported to be eviction notices from their landlords. Seven of the dozen applications listed mothers with twins. A letter was sent to all 12 applicants and each was returned stamped "addressee unknown."

Mr. Smith asked for an investigation and before it was over eight persons had been indicted as part of an organized ring that cheated the county out of some \$40,000 in welfare and food stamp benefits.

Investigators reported women were trained in the fine art of welfare chiseling by a man who drove them around in a brown Cadillac. He has not been apprehended. The women, it turned out, avoided being recognized at the welfare office by exchanging wigs among themselves.

Mr. Smith later told a newspaper interviewer: "For someone who is criminally inclined and wants to pick up \$200, it [welfare cheating] is cheaper than bank robbery. It's easier to get away with and it involves a lesser charge if you're caught."

The gang operated in Washington, D.C., and Virginia as well as in Maryland. Many of the food stamps it obtained were cashed at a "mom and pop" grocery store in the capital, investigators said.

Cleaning up the "mess"

In 1970, when Samuel Weems ran for prosecuting attorney of the Seventeenth Judicial District in Arkansas, he promised to clean up the "welfare mess" in the four counties under his jurisdiction. In a recent eight-month period he charged 153 persons with welfare and food stamp fraud and recovered over \$16,000. One man avoided prosecution by writing a check for \$1,041 to cover food stamps he accepted fraudulently. He had a bank account of over \$5,000.

Mr. Weems says he is convinced from his own experience and from talking with other prosecutors that welfare fraud in Arkansas costs taxpayers between \$3 million and \$5 million a year.

"We are stymied at every turn by the very people who are supposed to keep welfare honest," he asserts. "There are 21 attorneys hired by the Welfare Department and not a one has filed a suit to stop this chiseling or has cooperated in any way to clean it up."

A grand jury empaneled last February backs up prosecutor Weems' charges and it indicted Ivan Smith, chief attorney of the Arkansas Welfare Department, on 25 counts of being an accessory after the fact in a welfare fraud case. Twenty-five indictments charging welfare fraud were returned in Lonoke County alone.

The grand jury said it was apparent that the Welfare Department attorneys did little to recover illegally collected funds in the county and it scored both welfare officials and the attorneys for not helping the prosecutor in trying to uncover fraud.

"The grand jury realizes the seriousness of this report but . . . also realizes the terrible condition of the welfare program as it presently exists," Foreman Leon Minton wrote in the panel's report to Circuit Court Judge William Lee.

"Cheaters, Inc."

In California, where Gov. Ronald Rengan has cracked down hard on welfare abuse, a dozen citizens got together to dramatize the ease with which welfare fraud can be perpetrated. They organized as "Cheaters, Inc.," and hired a lawyer to protect them.

One of the group applied for welfare under four different names at the same welfare office on the same day and each time, the application was approved.

In another instance, a mother in the group, accompanied by four of her children, visited a welfare office and applied for assistance. She filled out a form stating she had four sons. A welfare clerk accepted the form, read it, and asked no questions about the children, even though the clerk could see four youngsters standing there and all were girls.

Gov. Reagan reported in February that without his reform program, the number of people on California's growing relief rolls would have soared from more than 2.2 million to more than 2.7 million. As it was, he said, the program trimmed 182,000 from the rolls.

Gov. Reagan challenges Washington's claim that welfare fraud is only a fraction of 1 per cent. He appointed a blue-ribbon task force which found fraud involved in at least 14 per cent of all welfare cases in California.

At about the same time, and independent of the task force findings, five county welfare departments in the state reported that 43 per cent of welfare recipients whose earnings

"It's so easy to get on welfare that anyone who's broke and doesn't have a regular relief check coming in is nothing but a goddamn lazy bum!"

> Abbie Hoffman, well-known radical, in his book, "Steal This Book."

were checked had failed to report substantial amounts of outside income. Many appeared to be ineligible for welfare. Some are being prosecuted on fraud charges.

"Nevertheless, a judge has shut down the earnings check system which made that information possible because it purportedly violates a recently adopted HEW regulation," Gov. Reagan complains.

In 1971, Nevada ordered a doorto-door check of people on welfare and cut 22 per cent—about 3,000 persons—from the rolls because they were ineligible. The state was promptly sued by a welfare rights group and forced by the courts to restore about half of the former relief recipients on the grounds that improper forms had been used to notify them of their ineligibility.

New forms were prepared, and approved by a panel of three federal judges, and the ineligibles again were barred from any welfare assistance.

David Tomlinson, chief of eligibility and payments for the State Welfare Department, told NATION'S Business: "The 22 per cent figure held up."

Nevada is somewhat more advanced than most states in checking fraudulent claims. Every application for welfare is fed into a computer which is tied in with another computer at the State Employment Service. All earnings reports and claims for unemployment compensation on file at the Employment Service offices are matched against information on the welfare applications.

"Still, we are getting about 15 applications a week which misrepresent the facts," Mr. Tomlinson reports.

Horror story in New York

New York City is a horror story of welfare abuse. One official estimates the net cost of mispayments and ineligibility is running at \$63 million a year. The city's current budget for welfare has risen to \$1.2 billion, half of which comes from federal sources.

Last year, disturbed over the cancerous spread of welfare fraud, Gov. Nelson Rockefeller appointed an inspector general to root out chiselers.

George F. Berlinger has uncovered some interesting cases. He found a 22-year-old Brooklyn man collecting checks from six different welfare centers in Brooklyn. The man also was receiving welfare under the Aid to Dependent Children program when he should have been cut off when he turned 18.

Mr. Berlinger has recommended a computerized "client-information bank" which would bring together information on all of the nearly 1.3 million persons on welfare in New York City. But even that system, keyed to Social Security numbers, is not foolproof since Social Security cards can be easily obtained by written application.

Sen. Long cites a case of a Louisiana woman drawing five separate Welfare checks. She was approved for assistance by producing five different Social Security numbers and five different driver's licenses.

Thousands of drug addicts have found welfare an easy source of ready cash, especially in New York and California. New York City Human Resources Administrator Jule M. Sugarman says the increasing number of addicts on his city's rolls-32,000 now and growing by 1,400 a monthhas brought public assistance to "the verge of serious breakdown."

Addicts going through the agony of drug withdrawal are a common scene at the Bergen-Willis Welfare Center in New York's Borough of the Bronx. In March, an addict just released from a narcotics treatment center on Rikers Island grew impatient waiting for his welfare check. He threw lye in the face of a welfare supervisor.

It was only one of a series of such violent incidents at the Bergen Center. The Center's 400 employees walked out, demanding better police protection.

"A national disgrace"

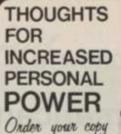
There is no question but that the national welfare system is in desperate need of overhaul. In a special message to Congress in March, President Nixon led off with the statement that "the American welfare system is a national disgrace."

Sen. Paul Fannin (R.-Ariz.) said recently: "The deeper we wade into this quagmire of welfare, the more it becomes evident that money alone will not cure the problem. It seems evident that increased welfare payments without meaningful reforms will multiply the problems rather than cure them."

In Washington, D.C., today, one of every five residents is on welfare. A Senate committee has been told that at least \$4.5 million is going to persons who are wholly ineligible for such help. Here again welfare officials put the blame on "administrative errors."

Sen. Daniel K. Inouye (D.-Hawaii), chairman of the Senate Appropriations subcommittee for the District of Columbia, reports he is besieged by complaints about welfare cheating.

"I have some complaints about mothers who claim six children when they have none," he says. "When the investigator arrives, they have children in the house they borrowed for the day." END





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Transamerican Trailer Transport

Leading the way in "trailerships"

When the gleaming, white Ponce de Leon steamed into New York harbor fresh from the shipbuilders in 1968, a tugboat drew alongside and a ladder was dropped.

A trim six-footer then clambered 60 feet up to the big vessel's main deck and headed for the bridge.

R. D. (Nick) Carter, president of Transamerican Trailer Transport, Inc., had come out to greet the company's first ship, rather than wait for it to tie up at a dock not far from his Staten Island office.

The quick transition from executive suite to open bridge was an easy one for Mr. Carter, who went to sea when he was 17 and was master of a freighter before he was 30.

He has been the guiding force behind the growth of TTT, which operates between New York and Puerto Rico (and named its initial ship after that island's first governor).

The privately held company was organized by Eric K. Holzer, a veteran of the maritime industry, who hired Mr. Carter as his executive vice president in 1967. But, in less than a year, Mr. Holzer died and Mr. Carter was named the fledgling company's president and chief executive officer.

Under his leadership, the Ponce de Leon has been joined by a \$20-million.

R.D. (Nick) Carter, president of Transamerican Trailer Transport, Inc., and one of the company's "trailerships." Those trailers on deck were





A ship's bridge is familiar to Mr. Carter, who spent many years at sea. He visits here with Capt. Oswald Dudley of TTT's "Eric K. Holzer."



Far from the sea, Mr. Carter grapples with problems familiar to most businessmen. Here, it's one involving a ruling from the Price Commission. The gavel represents another hat Mr. Carter wears—as an officer of the Puerto Rico Ocean Service Association.



Horseback riding is one of the favorite activities of the Carter family: Tracy, 11, Kim, 14, Mr. Carter and his wife, Dennie. The mount is one of three they own and stable on their property in Cold Spring, L.I. (Yes, that's a cat on the horse. The family cats sleep on the horses' backs nightly.)

Transamerican Trailer Transport continued



Breakfast is a joint undertaking on a quiet Saturday morning at home. Mrs. Carter, also a successful executive, is publisher of Conso Publishing Co., whose quarterly "1000 and 1 Decorating Ideas" has a circulation of six million. In addition, she's a vice president of Consolidated Foods Corp.

24,000-ton sister ship and plans are under way for another.

Annual revenues, which were \$7.5 million in 1968, reached \$23 million last year and are expected to hit \$28 million this year.

TTT has pioneered in a new form of container shipping—the roll-on, roll-off method, in which the entire trailer part of a truck travels by ship. In the conventional "containership," the "box" part of the trailer is lifted off its wheels and stacked with others aboard.

Mr. Carter refers to his vessels as "trailerships," rather than "containerships."

He says the TTT method allows much faster loading and unloading for "any cargo on wheels, from small cars through trailers and even huge cranes."

An honor graduate of the U.S. Merchant Marine Academy at Kings Point, N.Y., Mr. Carter, 48, brought ashore with him knowledge he gained at sea about leadership.

"One of the first things I learned as master of a cargo ship was not to insulate yourself from your men," he says. "I still work this way with both my staff and our customers."

The boss occasionally travels from New York to Puerto Rico aboard one of the TTT ships, but not to take a hand in running them.

"Two and a half days at sea away from telephones gives me time to retool and reshape my thinking," he says

The main base for his relaxation, however, is his distinctive home on three acres in Cold Spring Harbor, Long Island, N.Y., which once was a whaling port.

Mr. and Mrs. Carter and their two daughters form an active family that enjoys sailing, skiing and horseback riding.

As part of his "people" approach

to his job, Mr. Carter has worked hard to make friends in Puerto Rico, and knows personally most of the island's top government and business leaders.

Last Christmas, he spent seven hours in the air on a one-day round trip to San Juan to join his Puerto Rican staff for two hours at an office party.

Mr. Carter is optimistic about the future of both his own fast-growing company and that of the long-troubled U.S. merchant fleet.

"TTT might in time well develop into an international line using bigger and faster roll-on vessels than it now operates," he says.

And American technology, spurred by a new federal program to encourage marine construction, will keep the nation in a strong position in world shipping, Mr. Carter believes. His advice to doubters on that score: "Keep the faith."



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The Management of Mistakes

To err not only is human, it frequently is good for your companyif the proper attitudes are adopted



There is a surprising paradox in the process that American businesses use to select managerial talent.

Though companies need innovation in their upper echelons, and innovation naturally involves the likelihood of occasional errors, an error-free record is a traditional prerequisite for promotion.

It follows that people who don't conceive of and try imaginative new ways of doing things move up the ladder, while employees with leadership potential are held back.

But an approach in which errors are put into their proper perspective, one that allows for the proper management of mistakes, could pay rich dividends for a company in terms of developing talent.

If we trace the evolution of a highly placed executive's career under present practices, it's amazing he has reached the heights he has.

All the way up, each supervisory level has been probing for errors in those below it.

In all likelihood, the application form he filled out when he joined the firm was designed more to dredge up anything that raises a question about a job seeker's past than to determine his strengths, achievements and experience.

Chances are the ensuing employment interview was mostly a similar probing for weak spots.

Past that hurdle, the new employee became part of a

team that theoretically was operating with managerial supervision keyed to specific company objectives. But more likely, he had gone into something that could appropriately be called "error-oriented supervision."

The guidance the new employee received from the boss probably was limited to the statement; "As long as you don't hear from me, you'll know everything is O.K."

What this really means, of course, is: "You'll hear from me when and only when you have made a mistake."

As his career unfolded, the on-the-job training given our man was more likely to be aimed at keeping him from making any more mistakes, rather than at developing and refining his proven abilities. At his annual appraisal interview, he usually was told what he'd been doing wrong all year.

Even if he got through one year without a significant mistake, there probably were some in previous years. They were immortalized in a personal file ready for warming over at any time by a supervisor skilled in blamesmanship.

Expert on errors—or excellence?

No one likes mistakes, especially those who make them, and they obviously can't be ignored when they involve such things as a big order, wasted time or money, or a threat to the health or safety of other individuals.

But it's axiomatic that we become knowledgeable in what we study. If we concentrate on mistakes, we become expert on them. If we concentrate on exceptional performance, we learn what can make a person or a company successful.

C. R. GRINDLE, author of this article, is a Virginia Beach, Va., management consultant.

Have



A boss constantly looking for mistakes and someone to blame for them is practicing management by fear and actually working against his company's interest.

A worker who knows a mistake will bring down harsh reprimands from an angry supervisor is going to stick to the traditional way of doing things rather than try, or even suggest, improvements that might help the company keep up with the competition.

The main activity of management by fear is criticism of subordinates.

An unfortunate sequence goes like this: The supervisor criticizes an employee's error, even though the employee may already be aware that he has goofed and the last thing he needs is for someone to bring it to his attention. The subordinate becomes irritated to the Point of trying to justify his action.

The criticism continues, and the subordinate's irritation becomes resentment. As the supervisor re-emphasizes the results of the error, resentment develops into hostility.

Yet, the whole discussion was supposed to have made the employee receptive to suggestions on how to avoid the same error in the future.

A starting point for building a more receptive frame of mind is to identify the reason the mistake has been made, rather than to concentrate entirely on the slipup itself.

If a worker keeps cutting his finger on the same piece of machinery, his supervisor wouldn't limit his response to ordering more bandages. But in many less obvious situations, there's a tendency to deal only with the results of the mistake and to ignore underlying causes. If an employee of yours is making mistakes, it may be because of carelessness or other poor work habits that can be corrected with direct, on-the-job disciplinary action. But maybe he's worried about bills piling up at home. Or perhaps his wife is suffering from a serious illness. Maybe he's been put into a job he can't handle.

How to take corrective action

When the underlying causes of mistakes are found, the next step is to determine what corrective action is needed and how to take it.

A subordinate often grumbles that "it's not what the boss says that annoys me, it's the way he says it."

This tells us that the proper management of mistakes requires the use of an effective sequence of ideas in expressing yourself to people in whom you want to bring about a change.

When a mistake has been made, it's a natural reaction to meet it head-on. But what are you trying to accomplish? Corrective action in the interests of the employee and your company?

Or making yourself feel superior by forcing a subordinate to admit guilt?

Imagine your own reactions to supervisors who opened discussions with either of these two approaches:

- "Joe, that was certainly a stupid mistake. Don't do it again. It seems as if you've been making your share of errors lately."
- "Joe, we have more up-to-date figures on this and you'll turn in a more accurate report next time if you'll use them instead of last year's data."

Which is more likely to bring about a mood receptive to corrective action? The answer is obvious, but it's an often-forgotten fact of human behavior that people respond better if they are shown advantages for themselves.

Another important factor in dealing with mistakes is the realization that they all don't have to have adverse consequences. A pompous, know-it-all supervisor might gain a measure of humility when a conscientious secretary tactfully points out he's used a wrong word in dictation.

And every American school child knows the results of Charles Goodyear's mistake when he dropped a rubber mixture on a hot stove—it led to the vulcanization process.

Careless Carl becomes careful

Errors often can lead to improved performances.

Consider the case of Careless Carl, who was assigned to plan his company's annual operations meeting. He set a date, notified those who would attend, prepared an agenda and hired a high-priced speaker. But when it came to reserving facilities for what he was sure would be a perfect meeting, he found there was no space

The Management of Mistakes continued



less night, cism, Carl done.

The business world is well populated with regretful managers who discovered the hard way that you don't build a restaurant on a major road without checking on plans for new superhighways through the area; that you don't set up a distribution system without market research and that customers' complaints, however un-

available on the date he'd set. After a sleepless night, he told the boss. Instead of a barrage of criticism, Carl received advice about analyzing what he had done.

"Well, Carl," the boss said, "what do you believe we can learn from this particular situation? How will you handle it the next time?"

Now more relaxed, Carl replied: "I sure realize that planning is not just arranging things randomly—it's putting first things first."

The boss, believing that anyone who never makes a mistake never makes anything else, had turned the error into a learning experience.

In another example, a staff assistant overheard the department store president wonder aloud why the ceilings were painted green. Interpreting that as criticism, the eager aide gave orders that the ceilings were to be repainted blue that night.

The anticipated praise never materialized.

"We'll have a better working relationship if we discuss things more fully, Stan," the boss told him. "You can save yourself time and effort by confirming major decisions of this type with me. Green happens to be my favorite color."

Take the case of the secretary whose overall performance was excellent but who, through sheer carelessness, sometimes forgot to put enclosures in mailings. Her boss took up the issue from the viewpoint of her own interests, rather than pure criticism.

"Jane," he told her, "you can make a better impression on people receiving our correspondence if you always include enclosures with any letter that is supposed to have them. That way, you won't have to send the enclosures separately and you'll be saving yourself time as well. Why don't you put a little reminder sign on your desk for a month?"

Secretaries and assistants aren't the only ones who

Expensive but valuable

reasonable, must command respect.

A costly means of learning, true, but mistakes more often than not can lead to better, more careful performance in the future.

In many cases, the supervisor must guide the employee toward correct procedures while, in other situations, it is possible for the employee to correct his own errors. The latter course has at least three advantages:

- The supervisor spends less time checking up on the employee and thus has more time for more important work.
- The employee gets a chance to develop himself by correcting his own errors.
- A climate of confidence results when the employee is allowed to check up on himself without the boss looking over his shoulder.

It would be a dull world if we were all perfect. Since we all make mistakes, it becomes a challenge to put them in their proper perspective and learn how to manage them effectively.

REPRINTS of "The Management of Mistakes" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

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The American Weigh in the Emerald Isle

One of the most glowing industrial success stories in the Republic of Ireland is being written by a businessman named Hanssen.

Hanssen?

Yes, Stan B. Hanssen, formerly of Chicago, Ill., who—as he puts it—
"started business with a briefcase" in the Emerald Isle after an exploratory trip 11 years ago, and now runs an Irish company which boasts it is the largest exporter of household scales in the world.

Hanson Ltd. (Mr. Hanssen, following a family business tradition, prefers the simplified spelling for his company's name) has doubled its volume every two years since 1965.

Britain is the biggest market for its products—primarily bathroom and kitchen scales as well as small Postal scales.

But it also exports to 79 other markets. Though they do not include the United States, they're widely scattered around the rest of the globe—among them are not only Continental European countries on both sides of the Iron Curtain, but also Iran, Israel, South Africa, Australia and even Japan.

The scale of business for this maker of scales is tiny by, say, Detroit or Pittsburgh standards. However, it looms fairly large in Ireland, a country whose population is less than three million.

Hanson Ltd. sales are now about \$2.6 million a year and its rate of profitability, says Mr. Hanssen, the company's principal owner, "would make most U.S. companies envious."

At its plant in the northwestern Irish town of Sligo, the work force ("a good one," says Mr. Hanssen) has risen from 20 to 130.

The company figures it sells about 30 per cent of the household scales bought in Britain, where it has competed with dazzling success against an old-line, set-in-its-ways British manufacturer.

"We shook up a lot of people,"

says Mr. Hanssen, who is 49. For one thing, his firm—on its toes in research and product development—cut a 6½-pound scale down to four pounds, making shipment less costly. For another, it was able to eliminate some parts, reducing expense on its already inexpensive products. It also has developed "shrink wrapping" packaging—a light box with a transparent top for immediate display.

Mr. Hanssen's career as an Irish businessman began strictly as an American businessman. He was president of the Hanson Scale Co., founded in Illinois in 1888 by his grandfather, and was considering a number of European locations as a base for overseas operations.

The Irish Industrial Development Authority won him over with the parade of inducements it trots out for foreign industrialists considering sites in Ireland. One inducement: No taxes on profits generated by exports for 15 years and partial tax relief thereafter until 1990. Another: Non-repayable cash grants—in Mr. Hanssen's case it was 80 per cent of his plant construction bill, 40 per cent of his machinery tab.

Mr. Hanssen became so enamored of Ireland that he decided to stay. He sold out his entire interest in his family company to Sunbeam Corp. and settled down with his wife and three children in a comfortable home which has 600 feet of frontage on Sligo Bay.

He has no plans to give up his U.S. citizenship, but he also has no plans to return.

The Hanssens (Mrs. Hanssen, a native of Seattle, also is not ethnically Irish) find life pleasant in a green, clean, easygoing, uncrowded land which so far has been little marred by the strife plaguing neighboring Northern Ireland.

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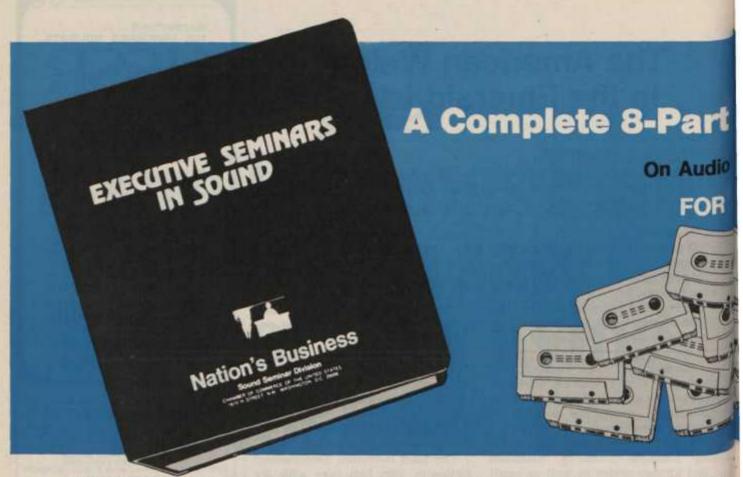
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Joint Ventures to Curb Pollution

Spiraling costs are forcing industrial managers and municipal pollution control engineers to consider joint ventures in waste treatment.

Industry is spending an unprecedented amount of money to develop. install and maintain air and water pollution control systems. A survey has shown this amounted to nearly \$500 million in 1970 alone.

Communities also face monumental money problems in this area. One estimate is that it will cost \$50 billion for the nation to upgrade its water pollution control facilities over the next 15 years.

Under certain conditions, a joint treatment plant for a manufacturer and its community promises advantages for both.

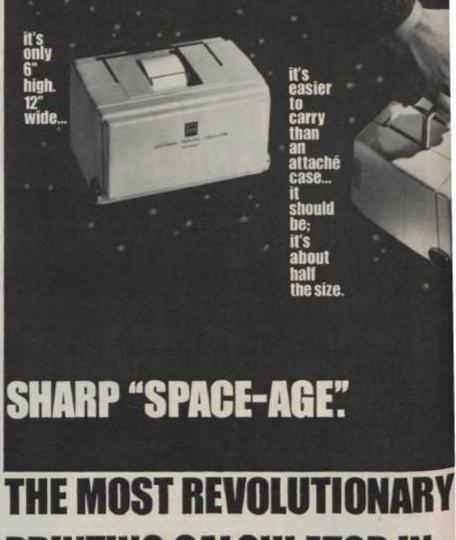
The company may be sizable, but it also may be one whose asset base is small and whose earnings will not support the installation and maintenance of adequate treatment facilities. Many of these companies are one of only two or three employers. in small communities which themselves are seeking ways to finance improved treatment plants that will meet strict federal and state requirements.

Tale of three cities

Some recent combined ventures, in which the traditional "you-takecare-of-vour-problem-and-I'll-takecare-of-mine" attitude toward sewage treatment has been abandoned, have proved to be both cost-cutting and efficient.

These have involved Union Carbide Corp. and South Charleston, W. Va.; Coors Brewery and Golden, Colo.; and Georgia-Pacific Paper Co. and Crossett, Ark.

JOHN SPROULE, author of this article, is president of the Environmental Control Group, Rex Chainbelt, Inc., Milwaukee.



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The Union Carbide-South Charleston facility almost doubled the capacity of an older city installation which was unable to handle the flow from the chemical company's nearby manufacturing plant. Union Carbide donated the land for the joint facility, put up the bulk of the \$5.8 million in construction costs and—through a subsidiary—now operates the plant and pays 90 per cent of the annual operating costs.

The Coors plant provides complete secondary treatment for its own needs as well as those of the city of Golden.

In Crossett, a Georgia-Pacific Paper waste treatment plant treats virtually all the domestic sewage of the town's population of 7,000. An added bonus for local residents is Lake Georgia-Pacific, the company's 1,700-acre reservoir which has proved to be one of the best game fishing spots in the mid-South.

Most combined plants—though not all—are owned and operated by the municipality. And industrial users normally are happier with this arrangement.

Congress has appropriated money for municipal sewage construction projects, and municipalities are able to tap these federal funds and any available matching funds from state agencies.

(While Congress won't provide funds to private companies for pollution control, it does encourage industry-community cooperation through special funding for a "regional" approach to solving the water pollution problem.)

Borrowing, too, is frequently cheaper for a municipality than for a company which must not only pay a high interest rate but demonstrate to stockholders a rate of return on its investment.

The bigger the cheaper

Other factors make large plants, which treat both industrial and domestic waste, attractive to all participants.

As with any processing operation, there is a significant economy of scale involved.

An Interior Department report illustrates this point with a hypothetical case in which a community has Remember when business was so simple you could figure things out with a pencil and a piece of paper?

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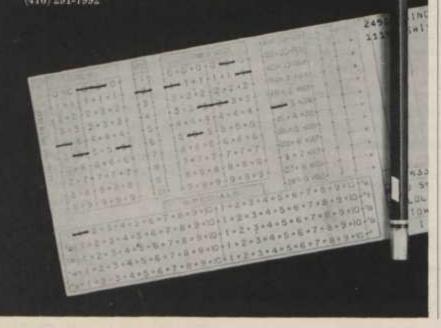
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Pollution continued

10 million gallons of waste to treat a day from a combination of domestic and industrial sources.

The options are to build 10 small plants—five operated by the community for domestic sewage and five by industry for their own flow; or two medium sized plants—one for domestic flow and one for industrial effluent; or one large plant to serve all the waste from both industry and the community. In each case it's assumed the plants will have a 25-year life span, a 5 per cent rate of interest and serial amortization.

"Over the life of the system," according to the study, "average annual costs would amount to \$548,000 in the case of the 10-plant solution, \$451,000 in the case of the two plants, and \$332,000 for the single plant solution."

Other factors mitigate toward larger plants. A national shortage of trained sewage plant personnel puts their services at a premium, and small facilities frequently are attended on only a part-time basis. But a large combined plant can be staffed around the clock with trained technicians and engineers who can assure that the plant functions at maximum efficiency.

Wage scales, too, come into play if the plants are run by municipalities. Frequently, they can hire plant personnel for less than the cost of union personnel at an industrial waste treatment facility.

And processing efficiencies may be derived from combining industrial and domestic waste.

Many industrial wastes are deficient in nitrogen and phosphorous needed to sustain the bacterial degradation basic to sewage processing. But domestic sewage contains heavy proportions of these constituents. By combining flows, this nutrient deficiency can be alleviated without costly chemical treatment.

In addition, industrial waste is frequently of a higher temperature than the domestic flow and can effectively accelerate the life processes of the bacteria relied upon in the processing of the sewage.

The combined sewage flow approach is, in essence, advantageous to both industry and the community.

END



This Month's Guest Economist

Dr. George Katona Institute for Social Research University of Michigan

The Human Factor

Recently we have been told by several social critics that American life styles have undergone a radical change.

Allegedly, the American people and especially the younger people now say No to our consumer economy and lack an interest in acquiring a great variety of goods and services. Concern with pollution and the quality of goods and services offered is also thought by some to be reducing consumer demand.

In sum, the "economics of more" belongs to the past, the critics say, and therefore the soaring 1960s will be followed by the sluggish 1970s.

Should these assertions be accepted at their face value, or is it possible to search for evidence as to their truth or falsity?

For the past 25 years the Survey Research Center of the University of Michigan's Institute for Social Research has been trying to ascertain the beliefs, attitudes and aspirations of the American people. Why? Because they represent predispositions to action. This is particularly true in our "aspiration economy," in which we spend a Browing part of our income on what we would like to have rather than on Dure necessities.

What do extensive personal interviews with representative samples of consumers indicate? First, it is true that life styles are changing just as they were found to be changing 10 and 20 years ago. A trend toward casual living has set in since World War II. (It's had a tremendous impact on the clothing industry for instance.) Another clear trend is the importance attached to leisuretime pursuits.

Most activities we cherish after work, on weekends, and during vacations have one predominant characteristic: They are expensive. We need a car, often two cars, to go picnicking or to reach our cabin in the hills or boat at the lake. Weekends or vacations are satisfactory only if we are on the move and eat out. The expected further growth of the recreation industry may bring about changes in the distribution of consumer expenditures. It won't reduce them.

The consumption aspirations of young people as they enter the labor force and form families don't differ substantially from those of the same groups 10 years ago. Most Americans 25 to 35 years of age—this is the population group which will increase to the largest extent during the next 10 years—are aware that their standard of living has improved and believe that it will improve further.

Compared to how our forefathers lived and how most people in the world still live today, Americans are rich. But we do not feel rich. Most of useven in fairly high income brackets—struggle to make ends meet. Our wants, the goods and services we desire, increase continuously. Those who have experienced progress commonly raise their sights.

Extensive studies indicate no signs of saturation. Survey questions about unfulfilled wishes—things we would like to have—yield as many answers today as five years ago and far more than 15 or 25 years ago.

Because we struggle to make ends meet, we economize on necessities. Yet, for things we cherish, we are not reluctant to spend money. This can be illustrated by pointing to the trend of demand for automobiles. Many Americans turn to smaller, less expensive cars that consume less gas. But after reducing their basic transportation expenses, many are willing to spend much for such extras as car air-conditioning.

What does it mean for our consumer economy in the 1970s? The long-run predispositions of the American consumer can't answer this question.

Short-run consumer attitudes and expectations deteriorated greatly during 1969 and '70 and have not yet revived fully.

Two reasons for apprehension among consumers are well known—concern about inflation and about unemployment. Improvement is expected in both areas in 1972, but the misgivings won't be dissipated fully. In addition, concern about social problems—race, poverty, violence, pollution—has adversely affected people's willingness to buy in the last few years and will no doubt contribute to a wait-and-see attitude in the future as well.

Furthermore, it appears probable that the rate of personal saving, unusually high during the last two years, will remain higher in the 1970s than it was in the 1960s.

The American people desire an improvement in their standard of living and are spending-minded. At the same time, they are concerned with security and are saving-minded. Because a lowering of their standard of living is inconceivable to them, savings and reserve funds become increasingly important and many people are dissatisfied with the amount of their savings.

It appears, then, that some survey findings on attitudes and expectations have favorable implications for the next few years, and others, unfavorable ones. No doubt, the decade of the 1970s will be one of economic fluctuations. There will be good as well as not so good years. But the notion that on the whole the 1970s will be sluggish is not supported.

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How to build a \$162,000 building for

\$106,000*

* The upper figure is the bid a company recently received for a new industrial facility. The lower figure is what a Pascoe builder quoted and built it for.

Ironically, both bids were fair. It was another case of conventional construction attempting to compete against the modern metal building system.

Thanks to 18 construction exclusives, and the fact that all structural parts are made in advance at the factory, a Pascoe metal building can be constructed for substantially

less money in far less time than a conventional building. And with no sacrifice in quality or appearance.

Which explains why Pascoe builders are so busy these days.

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It could save you thousands of dollars.



Young Concern Artists, Inc.

See here

We respectfully suggest this five-point program for reducing that waste line.

The cost of government is literally eating the country out of house and home. In 1970, Americans spent \$14 billion more for government than for food, shelter, clothing and new cars combined.

Isn't it scary that the cost of government increased by 67% from 1958 to 1971? That's almost twice as much as the cost of consumer items. Uncontrolled Federal spending looms as a continuing threat to the economy. The inevitable results are government deficits, inflation, increased taxes.

What to do? We suggest to the President and Congress—put government on a strict diet. Set up strict spending guidelines. Exercise strict controls on the Federal budget. As a start, we recommend five reforms:

1. Project all major spending over a five-year period.

Show total costs as well as detailed spending. Such projections should list separately both actual spending and spending that has been authorized but not yet spent. Then Congress and the taxpayers will have a yardstick for measuring new and continuing programs. The costs of new programs initiated in the 1960's increased 300% during the first five years. If the taxpayer knows the future costs, he will think twice about the true worth of the program.

Evaluate all spending programs at least once every three years.

Determine their need and effectiveness and see what costs can be eliminated. This is zero-based budgeting, which means that an appropriation for a program must be justified from scratch. If needed it should be re-enacted. If not, eliminated. As it stands now, almost \$175 billion of the proposed \$247 billion budget for Fiscal 1973 would be spent automatically—about \$2,650 per family.

3. Pilot test every proposed major Federal program.

See if it will work before full-scale operations are funded. If it works, then and only then should Congress put it into nationwide operation. This procedure will avoid many expensive projects that look good on paper but don't solve the problem. As Senator Abraham Ribicoff said in urging that the proposed Family Assistance Plan be pilot-tested: "Right now we have 168 programs at a cost of \$31 billion to alleviate poverty, and we've got more poverty in this country than we had last year."

4. Designate a joint Congressional Committee to evaluate the Federal budget in terms of priorities.

Today no committee is responsible for the total budget picture. The Federal budget is a thing of bits and pieces—a scrambled multibillion dollar jigsaw puzzle. Each committee has a favorite piece and tries to squeeze it in somehow. No committee evaluates the budget in terms of balancing tax receipts and expenditures. Excess costs are simply added to the national debt. A total review by one committee, to be made public, could help balance the budget.

Subject special Federal programs, such as Social Security, Medicare and Highways, to the discipline of controlled spending just as other tax-supported programs are.

There are over 800 trust funds, which do not come under the annual appropriations review. An annual look might change priorities substantially as times change.

These five points can bring the budgetary process under control. Until the American public insists on steps like these, election results will be meaningless. What's needed is millions of Americans talking to their friends, neighbors, colleagues and public officials about ways to bring spending under control.

For further background write to: The Chamber of Commerce of the United States, Washington, D.C. 20006,

Chamber of Commerce of the United States Washington, D.C. 20006

A federation of chambers of commerce, trade and professional associations, business firms and individuals dedicated to strengthening the competitive enterprise system—for the greater good of all.

Uncle!



BUSINESS LOOK **AHEAD**

BY GROVER HEIMAN Associate Editor

AGRICULTURE

Cotton is making a dramatic comeback as farmers aim for a 12-million-bale harvest this year, 1.5 million bales higher than 1971.

Prices this spring ranged from 28 to 30 cents a pound, almost one third more than spot quotations a year ago. And the surplus carry-over under government loan programs is expected to be only 3.5 million bales on July 31, about a four-month supply.

The situation is in sharp contrast to that in the '60s. In the first half of the decade a succession of 14- and 15-million-bale crops glutted the market-there was a 17-million-bale surplus by 1965. This in turn led to vastly reduced planting in the latter portion of the decade, when harvests dropped to the 10million-bale level.

The U.S. exported about three million bales last year and demand abroad is expected to total at least that in 1972 (and to increase in the future). Annual domestic consumption is estimated at eight million bales.

CONSTRUCTION

Things are expected to go swimmingly in the in-ground pool industry this year.

The National Swimming Pool Institute, forecasting a 15 per cent growth, says that the weather has as much effect on sales as the condition of the economy.

"Good weather arriving early and staying late" is the springboard for sales of residential pools, the Institute says.

The industry posted a 15.36 per cent increase in 1971 over 1970, boosting sales to the billion-dollar level.

Though sales of pools for hotels, motels, and apartment houses were down, they were up in other categories. In all, 89,900 in-ground

pools were built last year, with 73,600 of them at private homes.

The 12-state Northeast section of the nation led in total pool construction. In second place was the 12-state Midwest area, followed by Florida and California-Hawaii.

Industry sources estimate that over one million in-ground pools dot the American landscape, with well over three million above-ground pools also in use.

All this might help explain a recent U.S. Geological Survey announcement that water use nationwide has increased 20 per cent in the last five years and that water needs will triple in the next 30 years.

NATURAL RESOURCES

Among other problems, the nation's oil hunters must contend with icebergs as they search for petroleum on the outer continen-

Concern that icebergs might topple offshore drilling platforms has prompted oilmen to concoct a Texas-style solution: A threatening berg will be lassoed and towed aside by a vessel. In tests, a specially equipped freighter has been able to maneuver bergs weighing up to 300,000 tons.

Amoco Canada Petroleum Co. Ltd., a Standard Oil Co. of Indiana subsidiary, estimates that 100 icebergs will drift southward each year through 34 million acres it leases on the Grand Banks off Newfoundland.

Further south, the U.S. Geological Survey

is conducting surveys of the area between New England and North Carolina, working between 30 to 100 miles offshore.

Less than 3 per cent of this vast area is adequately mapped for assessment of resource potential and environmental impact-

Despite the growing energy crunch, only about 1.4 per cent of the outer continental shelf has been leased for oil and gas exploitation because the federal government has been unwilling to grant offshore leases

The Interior Department predicts that by 1980, if vigorously developed, offshore operations could provide 25 per cent of U.S. oil production and 19 per cent of gas production. They now account for about 10 per cent in both categories.

CREDIT AND FINANCE

There's more evidence of a definite thaw in consumer confidence, reinforcing the general conviction of businessmen that the economy is accelerating its upward turn.

While most surveys of consumer attitudes have been on the bright side, those by the Survey Research Center of the University of Michigan's Institute for Social Research have been notably less optimistic.

But recently, the Center reported a "substantial improvement in consumer expectations has been recorded during the last few months, representing a significant break from the depressed attitudes of the last couple of years."

Economists George Katona [see "This

Month's Guest Economist," page 77] and Jay Schmiedeskamp, highly regarded as pulse-takers, say their index of consumer sentiment now stands at 87.5 (February, 1966, equals 100), up from the 75.4 low recorded in 1970.

Half of the people surveyed said they believed some improvement in the economy had already occurred, and many others pointed to governmental activity generated by Presidential election campaigning as a reason why they saw 1972 as a good year.

At the start of Phase II of the wage-price control program, 40 per cent of people they surveyed thought business conditions would be good in the coming year. Now, that figure has climbed to 50 per cent.

MANUFACTURING

Soft drink bottlers are telling their Congressmen that with a friend like the Federal Trade Commission they don't need enemies.

The FTC plans to outlaw exclusive geographical franchises—a measure it contends will be helpful to the 2,800 bottlers—but businessmen say it will do just the opposite.

Goal of the ban: To allow bottlers of the same brand to compete with each other by crossing over into each others' territories. In addition to fostering such competition, the FTC says, a retailer could have a choice of suppliers of his Coke, Pepsi, Dr. Pepper, etc.;

and the consumer would have the chance to buy in an "unrestricted market at competitive prices."

About 100 bills have been introduced in Congress to preserve the 70-year-old franchise system, should the FTC go ahead with its plan. One sponsor is Rep. Thaddeus J. Dulski (D.-N.Y.), who sums up bottler sentiment this way:

"Installing intrabrand competition, I am convinced, would simply encourage mergers and uncontrolled expansion at the expense of the smaller companies."

MARKETING

Unless the courts decide otherwise, private wholesalers, distributors and retailers may be slugging it out with a "superwholesaler"—the General Services Administration.

The National Association of Wholesaler-Distributors and 17 other associations have filed a U.S. District Court suit to restrain the federal government's chief buyer and house-keeping agency from selling supplies to any organization—public or private—that receives federal funds directly or indirectly.

Association executives say GSA is operating on the premise that unless forbidden to do so by law, any federal agency which gives grants may authorize the grantee to buy from GSA—and even may require the grantee to use GSA sources for supplies.

Conceivably, private or public schools, hospitals, etc., which receive federal grants could buy a wide variety of supplies from GSA inventories or through GSA contracts.

With federal funds going into just about every facet of the economy, businessmen are alarmed over a report that GSA is seeking lists of grantees from federal agencies and informing them of supplies' availability.

TRANSPORTATION

An Air Force-developed fog-busting system may in a few years put an end to frustrations sometimes experienced by air-traveling businessmen.

The Air Force's Air Weather Service has devised a system that uses liquid propane gas to waft away cold-fog, the type that forms—and closes airfields—when temperatures are below freezing.

At preselected sites, the propane is sprayed into the fog blanket, further cooling the air as it vaporizes. This causes ice crystals to form and they fall out as light snow.

The Defense Department plans to install the system at U.S. bases in England, Germany and the Netherlands as well as in Alaska—all areas with high incidence of cold-fog.

Normally, it is hoped, gas in five or six 500gallon dispensers will be able to unclog the atmosphere around an airfield and allow flight operations to resume. The first field tests, scheduled for this fall, will be watched with interest by civilian airport operators.

Editorial

It's Not Funny

Along with the big, serious price actions the Price Commission has taken, it also has demanded that a New York company roll back the price of comic books. How trivial can you get?

This, of course, is the kind of ridiculous thing that happens when a nation gets involved in the nevernever land of controls.

Ironically, one of the comic books was titled, "Where Monsters Dwell."

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Which may suggest why the Jaguar XJ6 was selected as one of the world's ten best cars by Road & Track.

All cars begin as an idea. The Jaguar XJ6 began as an almost impossible idea.

It was to design a sedan that would set new standards of confort and luxury, road-holding and ride, steering and braking, performance and safety, while maintaining the standard of value traditionally associated with Jaguar.

In building the Jaguar XJ6, we held fast to that idea without compromise,

A few particulars.

The XI6 is powered by a 4.2 litre twin-overhead camshaft engine that was described by a prominent automotive publication as "almost faultless".

Motor Trend described its handling in

one word: "superb".

That characteristic derives from the engineering that went into the Jaguar XJ6. A fully-independent 4-wheel suspension system designed to negotiate the ruts and bumps of English country roads.

bumps of English country roads.

And power-assisted rack-and-pinion steering. Caliper-type disc brakes front and

rear, also power-assisted.

In naming the Jaguar XJ6 as one of the world's ten best cars of 1971, Road & Track wrote, "When we first drove the XJ6 we said it was 'uncannily swift, gloriously silent and safe as houses.' We still like that description. It was also one of the best-handling sedans in the world as well..."

Jaguar XJ6: an idea that became

reality without compromise.

For the name of your nearest Jaguar dealer and for information about overseas delivery, dial (800) 631-1972 except in New Jersey where the number is (800) 962-2803. Calls are toll-free.

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